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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

EXPLANATION OF COMMITTEE ON WAYS AND MEANS AMENDMENT TO H.R. 3575

(THE EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1991)

As Approved by the Committee on Ways and Means on November 14, 1991, Together With Minority Views

[Together with cost estimates of the Congressional Budget Office]

NOVEMBER 22, 1991

Prepared for the use of the Committee on Ways and Means by its Staff

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INTRODUCTION

This document [1] provides an explanation of the Committee on Ways and Means amendment to H.R. 3575. The committee-approved amendment consisted of the text of H.R. 3757, the Emergency Unemployment Compensation Act of 1991. H.R. 3575, The Federal Supplemental Compensation Act of 1991, originally was reported by the Committee on Ways and Means on October 24, 1991 (House Report: 102-273).

Prior to this committee action, the committee had reported on August 2, 1991, to the House, H.R. 3201 (House Report: 102-184). This bill passed the House on August 2, 1991, by a yea-nay vote of 375-45. This was received in the Senate, passed by voice vote and sent to the President for signature. The President signed the bill on August 16, 1991 (Public Law 102-107). Since he did not designate the bill as an emergency, the provisions of the law could not and were not implemented.

Subsequently, S. 1722 passed the Senate by a yea-nay vote of 69-30. The bill was considered by the House on September 25, 1991, and the text of H.R. 3040 (House Report: 102-185), as amended, was inserted in S. 1722 by the House and a conference requested. On September 27, 1991, the conference report was filed in the Senate (Senate Report: 102-162) and on October 1, 1991, the Senate agreed to the conference report by a vote of 65-35. On October 1, 1991, the conference report was filed in the House (House Report: 102-228) and the House agreed to the conference report by a vote of 300-118. On October 11, 1991, the bill was vetoed by the President and on October 16, 1991, the Senate failed to override the veto by a yea-nay vote of 65-35.

This committee explanation is intended to be the equivalent of a committee report explanation of the committee amendment. As such, it provides the legislative history of the amendment.

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[1] This document may be cited as follows: Committee on Ways and Means, Explanation of Committee on Ways and Means Amendment to H.R. 3575 (WMCP: 102-29), November 22, 1991.

EXPLANATION OF COMMITTEE ON WAYS AND MEANS AMENDMENT TO H.R. 3575

I. BACKGROUND AND NEED FOR LEGISLATION

H.R. 3575, as Reported on October 24, 1991

H.R. 3575, The Federal Supplemental Compensation Act of 1991, originally was reported by the House Committee on Ways and Means on October 24, 1991 (House Report 102-273).

As reported, the Federal Supplemental Compensation Act of 1991 would authorize a Federal Supplemental Compensation program. Under this program, all States would be eligible to provide Federal Supplemental Compensation (FSC) benefits to unemployed workers who have exhausted their regular benefits before November 3, 1991, but on or after March 1, 1991. The program would end on July 4, 1992.

There would be two tiers of additional weeks of eligibility for FSC benefits. The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by the total unemployment rate (TUR—the percent obtained from the ratio of all unemployed workers to the labor force) in that State during the preceding 6 months. An additional 7 or 13 weeks of benefits would be provided in States with unemployment rates of at least 6 percent but less than 7 percent, or at least 7 percent or greater, respectively.

Once a State had "triggered on" for a 7 or 13 week period of FSC benefits, it would continue at that level even if its TUR dropped during that period. However, if its TUR rose to at least 7 percent, it would move up to the 20-week tier. Also, once an unemployed worker became eligible for 7 or 13 weeks of FSC benefits, the worker would be paid for all weeks to which he was entitled, even if the State "triggered off" or the program expires before the worker had received the full number of weeks of benefits.

In addition, the bill contains provisions dealing with nonprofessional school employees, ex-service members' benefits, job search demonstrations, a Department of Labor report analyzing methods for allocating unemployment insurance administrative funds to States, and a quadrennial advisory council on unemployment compensation.

The nonprofessional school employees provision would allow States to pay benefits to nonprofessional school employees of educational institutions between academic years or terms if they are eligible otherwise.

The ex-service members' provision would make a permanent change to provide unemployment benefits for ex-service members on the same basis as benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-serv-

ice members would have a waiting period of no more than 1 week and would be eligible for a full 26 weeks of regular benefits (versus a 4 week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet the current 180 day requirement.

The costs of the bill would be covered through a temporary increase in the taxable wage base from $7,000 to $7,700 from 1993 through 1996 and an extension of the 0.2 percent surtax for one year, through 1996. The taxable wage base would revert back to $7,000 in 1997.

Under current law, Federal agencies are authorized to notify the Internal Revenue Service (IRS) that a person or corporation owes a past due, legally enforceable debt to the agency. The IRS then is required to reduce the amount of any Federal tax refund due such person by the amount of the debt, and pay that amount to the agency. This program expires after January 10, 1994. The bill would make permanent this tax refund offset program.

Any amount of new budget authority, outlays, or receipts resulting from this bill would not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985. FSC benefits would be exempt from any sequestration order.

During the last economic cycle, the economy reached its peak around June 1990 when the seasonally adjusted civilian unemployment rate bottomed out at 5.3 percent. During the recession, the civilian unemployment rate rose to 7.0 percent in June 1991 and has fallen only 0.2 percentage point since June. Today, if the unemployment rate were 5.3 percent again, nearly 2 million more workers would be employed. Total unemployment in October stood at 8.5 million workers, and over 1 million of these workers have been out of work more than 26 weeks.

The current economic situation is mixed, which has led some economists to speculate the recession has ended, while others fear a "double dip," i.e., another recession immediately after the 1990–1991 recession. The Commerce Department's preliminary estimate of growth in real Gross National Product for the second quarter of 1991 was a positive 0.4 percent, but it was revised to a negative 0.5 percent, making three consecutive quarters of decline. Many economists predict positive real economic growth in the third quarter, but a recent Federal Reserve Board of Governors report on economic activity called the "Beige Book" shows business stagnating.

Recent economic news tells the story. Industrial production has stagnated, increasing a scant 0.1 percent in September. Real average weekly earnings increased by only 0.1 percent, but were still 0.6 percent below last year. U.S. automobile sales plummeted to a 5.5 million vehicle annual pace, down from 6.5 million last year in early October. Consumer credit fell at an annual rate of 2.1 percent, and loans for automobiles were off at an annual rate of 8.6 percent in August. New factory orders fell 1.9 percent in August after rising a record 6.1 percent in July. Real construction spending was flat in August. Personal incomes rose 0.5 percent in August, but consumer spending increased only 0.1 percent as consumers retrenched. The number of poor persons in the United States jumped by 2 million in 1990 as the official poverty rate rose

from 12.8 percent in 1989 to 13.5 percent in 1990. Consumer confidence fell for the third consecutive month in August. Initial claims for regular State unemployment benefits jumped above 450,000 again recently, and the seasonally adjusted insured unemployment rate for the regular State program still is around 3.0 to 3.2 percent.

The committee received convincing testimony that the Unemployment Insurance (UI) system is not working as well as it has in the past. First, about one-third fewer workers have been receiving unemployment benefits during this recession compared to the 1970s, severely damaging the system's counter-cyclical effectiveness. Second, witnesses testified that the Federal-State Extended Benefits (EB) program is nearly dead. Only eight States plus Puerto Rico were activated under this program in the midst of the 1990–1991 recession compared to all States during the brief recession of 1980. Now, no State is eligible for EB. Third, the Federal Government has not as yet enacted a temporary extension of unemployment benefits despite having done so in response to every recession since Harry Truman was President, except the brief 1980 recession when the Extended Benefits program worked effectively. Currently, no workers who have been unemployed longer than 26 weeks receive EB.

The EB program is activated using the insured unemployment rate or "IUR," which is the percent obtained by dividing number of unemployed workers eligible for benefits by UI-covered employment. This measure never included workers who had run out of their benefits but were still unemployed. Many economists thought the IUR worked well until the fraction of job losers receiving unemployment insurance dropped well below 100 percent to about 80 percent. Even before that, however, the IUR had the ironic effect of deactivating EB in a State when substantial numbers of workers were running out of benefits, which reduced insured unemployment and therefore, the IUR.

To correct this downward bias, the bill would use the total unemployment rate or "TUR," which is the percent obtained by dividing the number of unemployed workers by the civilian labor force in each State. Although this measure has the disadvantage of including new entrants and reentrants to the labor force and job quitters in the numerator, workers who normally are ineligible for UI, it has the advantage of more accurately measuring labor market conditions faced by long-term unemployed workers in a State. In essence, it is a better proxy measure of the probability that a long-term unemployed worker cannot find another job. If that probability is high, the bill would activate FSC in the State and long-term unemployed UI exhaustees would receive supplemental benefits.

Although some economists have speculated that the recession has ended already, the need for extensions of benefits will be even greater in the ensuing months. It is well known that the rate at which workers run out of benefits only starts to rise about 6 months after a recession begins and continues to rise for about 6 months after a recession is over. Since the number of workers running out of benefits began to rise only in the past few months, the largest need for extended benefits is likely to occur through the end of this year even if the recession has ended.

Some have pointed to an unemployment rate in October of "only" 6.8 percent to suggest that there is little need for an extension of benefits. Yet, testimony before the committee showed that although the level of the unemployment rate has been lower during the 1990–1991 recession than the last five recessions, the rate of job loss in the 1990–1991 recession has been more severe than the average for the last five recessions. Certainly, the loss of nearly 2 million jobs indicates a serious recession by post-World War II standards. Moreover the Bureau of Labor statistics recently admitted that it might have underestimated the job loss in the first quarter of 1991 by 650,000.

TABLE 1. NUMBER OF EXHAUSTEES UNDER THE REGULAR STATE PROGRAM BY STATE FOR THE 1ST 8 MONTHS OF 1991

	January	February	March	April	May	June	July	August	September	Total
Alabama	3,204	2,716	2,710	2,997	3,455	3,250	3,895	3,397	2,888	28,512
Alaska	1,719	1,694	2,058	2,198	2,185	1,663	1,618	1,394	1,340	15,896
Arkansas	1,999	2,284	2,233	2,911	2,503	2,276	2,866	2,052	2,258	21,382
Arizona	2,063	1,896	2,086	2,319	2,850	2,418	2,929	3,180	2,967	22,708
California	38,368	35,385	41,321	45,674	48,905	44,513	46,311	47,516	40,365	388,358
Colorado	2,789	2,237	2,544	2,586	2,796	2,162	2,762	2,691	2,342	22,909
Connecticut	4,922	4,054	4,375	5,977	5,105	5,611	8,241	6,365	6,353	51,003
District of Columbia	1,335	1,176	1,249	1,361	1,333	1,347	1,777	1,689	1,754	13,021
Delaware	314	347	411	469	486	386	620	558	463	4,054
Florida	10,123	9,196	9,670	11,192	12,849	12,231	15,196	17,888	14,849	113,194
Georgia	13,734	7,632	7,413	8,652	8,926	7,910	13,261	8,868	6,599	82,995
Hawaii	430	346	360	516	404	407	570	593	592	4,218
Iowa	1,853	1,485	2,050	2,374	2,295	1,718	1,775	1,602	1,299	16,451
Idaho	1,204	1,196	1,381	2,023	1,554	931	1,145	815	659	10,908
Illinois	11,819	10,039	10,100	12,633	13,009	11,993	17,293	14,236	12,885	114,007
Indiana	2,853	2,736	6,950	4,400	4,250	3,936	4,253	3,610	3,000	35,988
Kansas	2,260	1,870	1,883	2,191	2,287	1,888	2,555	1,967	1,770	18,671
Kentucky	2,512	1,935	1,998	2,835	3,440	2,657	3,995	2,926	2,279	24,577
Louisiana	2,298	1,782	1,725	2,260	2,144	1,950	2,967	2,393	2,057	19,576
Massachusetts	11,148	9,586	10,219	12,823	13,065	12,379	13,105	13,787	12,708	108,820
Maryland	3,176	3,084	2,977	4,446	4,444	4,942	7,420	6,177	4,916	41,582
Maine	2,071	2,013	2,824	3,570	3,631	2,742	3,021	2,493	1,664	24,029
Michigan	11,453	11,552	15,768	18,996	18,436	15,133	16,695	13,570	12,707	134,310
Minnesota	3,923	3,374	3,933	5,994	4,883	3,502	4,158	3,593	3,250	36,610
Missouri	5,927	4,974	5,501	6,207	5,917	4,728	6,416	6,337	4,680	50,687
Mississippi	2,177	1,869	1,928	2,037	2,958	2,190	2,525	2,083	1,691	19,458
Montana	917	758	1,010	1,376	913	604	666	467	417	7,128
Nebraska	724	711	789	976	725	608	840	673	628	6,674
New Hampshire	830	798	951	435	5	1	8	6	3	3,037
New Jersey	14,368	11,827	12,965	16,000	15,991	14,031	18,999	16,029	15,238	135,448

New Mexico	860	653	691	880	917	825	1,201	1,085	901	8,013
Nevada	1,448	1,298	1,455	1,664	1,992	1,743	1,779	1,986	1,406	14,771
New York	23,072	19,229	21,664	25,535	29,103	26,650	32,358	34,275	30,072	241,958
North Carolina	4,588	4,392	5,191	6,694	6,336	6,131	7,838	5,836	5,279	52,285
North Dakota	625	598	727	1,012	517	343	439	297	223	4,781
Ohio	7,176	6,168	7,811	8,675	10,700	10,430	11,499	10,636	8,491	81,586
Oklahoma	1,796	1,466	1,464	1,850	1,582	1,749	2,052	1,742	1,651	15,352
Oregon	3,113	2,737	3,131	3,868	4,062	3,618	4,386	3,556	3,113	31,584
Pennsylvania	13,163	9,639	11,193	12,952	14,943	12,818	18,178	17,952	14,027	124,865
Puerto Rico	7,401	5,888	6,518	5,969	5,736	3,628	7,171	6,977	5,995	55,283
Rhode Island	2,341	2,185	2,413	3,328	3,097	2,559	3,728	2,630	2,634	24,915
South Carolina	2,489	2,390	2,681	3,290	3,301	2,907	4,008	3,181	3,377	27,624
South Dakota	76	36	61	111	94	51	64	88	53	634
Tennessee	5,555	5,333	6,008	7,474	7,319	6,059	7,998	5,956	5,134	56,836
Texas	15,132	12,523	13,057	15,009	14,263	12,394	17,697	14,461	13,285	127,821
Utah	933	772	940	1,124	977	715	952	770	732	7,915
Virginia	2,746	2,989	3,993	4,629	4,939	4,303	4,970	4,353	3,520	36,442
Virgin Islands	24	25	24	24	42	28	28	24	23	242
Vermont	511	457	408	499	637	589	854	767	613	5,335
Washington	4,325	4,184	4,945	6,030	5,818	5,240	5,888	5,162	3,756	45,348
West Virginia	1,291	949	954	1,718	2,147	1,298	1,933	1,419	1,415	13,124
Wisconsin	3,935	3,678	4,277	5,149	4,423	3,513	6,629	3,956	3,611	39,171
Wyoming	226	241	286	317	292	204	203	204	164	2,137
Total	265,339	228,382	261,274	306,229	314,981	277,902	349,735	316,268	274,096	2,594,206

II. SUMMARY OF COMMITTEE AMENDMENT

The committee amendment would create an Emergency Unemployment Compensation program to be effective from November 17, 1991, through July 4, 1992. In addition, the program would reach back to workers who have exhausted their benefits after February 28, 1991.

Reachback benefits would be available in States with adjusted insured unemployment rates of at least 3 percent or in States eligible for 13 or 20 weeks.

Three tiers of weeks of benefits would be available under the following rules: (1) all States would get at least 6 weeks; (2) States with adjusted insured unemployment rates (AIURs) of at least 4 percent or AIURs of at least 2.5 percent and exhaustion rates of at least 29 percent would get at least 13 weeks; and (3) States with AIURs of at least 5 percent or total unemployment rates of at least 9 percent would get 20 weeks.

In addition, the amendment would: include the provisions of H.R. 3575 dealing with ex-service members, nonprofessional school employees, job search demonstrations; require a Department of Labor report analyzing methods for allocating unemployment insurance administrative funds to States; and authorize a quadrennial advisory council on unemployment compensation. Also, it would add a provision providing the equivalent of 13 weeks of extended benefits for unemployed railroad workers with fewer than 10 years of service in the railroad industry.

The financing provisions of the amendment would drop the increase in the Federal unemployment taxable wage base and add provisions dealing with estimated tax payments and guaranteed student loans.

The major components of the bill are as follows:

1. Emergency Unemployment Compensation (EUC) Program

The committee agreed to create a new, temporary Emergency Unemployment Compensation (EUC) program providing three tiers of additional weeks of benefits. All States would be eligible to provide benefits to unemployed workers who have exhausted their regular State unemployment benefits between November 17, 1991, through July 4, 1992.

The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by combinations of State adjusted insured unemployment rates (AIURs), exhaustion rates (ERs), and total unemployment rates (TURs).

- The weekly AIUR for a State is the insured unemployment rate for a moving 13-week period, with the number of workers who have exhausted their regular State benefits in the last 3 months added to the numerator.

● The ER is the percentage obtained by dividing the average monthly number of workers who have exhausted their regular State benefits during the last 12 months by the average monthly number of individuals receiving first payments for regular State benefits during the last 12 months. (However, an 8-month average ending with September 1991 was used for determining reachback and initial benefits in the States.)

● The TUR is the percentage obtained from the ratio of all unemployed workers to all workers in the labor force in that State during the last 6 months for which data are published.

States would receive 6, 13, or 20 weeks as follows:

● All States would get at least 6 weeks.

● States with AIURs of at least 4 percent, *or* AIURs of at least 2.5 percent *and* exhaustion rates of at least 29 percent would get at least 13 weeks.

● States with AIURs of at least 5 percent or TURs of at least 9 percent would get 20 weeks.

Once a State has activated for 13 to 20 weeks of benefits, the State would remain on that tier for at least 13 weeks, even if its AIUR, ER, or TUR would drop it to a lower tier otherwise. Also, once an unemployed worker becomes eligible for 13 or 20 weeks of benefits, the worker would be eligible for all weeks to which he is entitled during the program, even if the State moved to a lower tier of benefits.

Unemployed workers who have exhausted their benefits under the regular State unemployment program between March 1 and November 16, 1991, would be eligible to receive EUC benefits in States that had AIURs of at least 3 percent or in States eligible to pay 13 or 20 weeks at the beginning of the program. The number of weeks available would be 6 for all States, except States on the second and third tiers of weeks of benefits would be able to pay for 13 or 20 weeks, respectively.

The bill also would authorize beginning November 17, 1991, and ending July 4, 1992, the equivalent of 13 weeks of extended benefits under the Railroad Unemployment Insurance Act (RUIA) for workers with fewer than 10 years of service in the railroad industry. Those who had exhausted regular railroad unemployment compensation after February 28, 1991, and are eligible otherwise, would be eligible for reachback benefits.

Table 2 illustrates for each State the number of weeks of benefits that would be provided under the vetoed bill S. 1722 and the committee amendment. Footnote "1" means that no reachback benefits are available in that State. The last three columns are data supplied by the Department of Labor and are the data used by the committee amendment to derive column 2 in the table.

TABLE 2.—COMPARISON OF VETOED BILL (S. 1722) AND COMMITTEE AMENDMENT

State	Vetoed bill (weeks)	Weeks	AIUR (percent)	Exhaustion rate (percent)	6-month TUR (percent)
Alabama	13	6	3.1	19.5	7.4
Alaska	13	20	6.5	47.4	7.7
Arizona	[1]7	13	3.0	35.7	5.0
Arkansas	13	6	3.7	26.3	7.7

TABLE 2.—COMPARISON OF VETOED BILL (S. 1722) AND COMMITTEE AMENDMENT—Continued

State	Vetoed bill (weeks)	Weeks	AIUR (percent)	Exhaustion rate (percent)	6-month TUR (percent)
California	13	13	4.7	35.4	7.7
Colorado	[1] 7	[1] 6	2.1	38.3	5.4
Connecticut	7	20	5.0	37.8	5.9
Delaware	7	[1] 6	2.7	16.8	6.9
District of Columbia	13	13	3.8	57.6	7.4
Florida	13	13	3.3	49.3	7.5
Georgia	7	13	3.0	32.0	6.0
Hawaii	[1] 7	[1] 6	1.9	22.3	2.7
Idaho	7	13	3.5	29.3	6.6
Illinois	7	13	3.4	34.8	6.7
Indiana	7	[1] 6	1.9	24.9	6.3
Iowa	[1] 7	[1] 6	1.8	20.3	4.9
Kansas	[1] 7	13	2.5	29.7	4.7
Kentucky	13	6	3.0	19.2	7.3
Louisiana	13	[1] 6	2.7	26.3	7.0
Maine	20	20	5.0	43.6	8.2
Maryland	7	13	3.7	34.6	5.9
Massachusetts	20	20	5.4	42.2	9.3
Michigan	20	20	4.2	29.6	9.4
Minnesota	[1] 7	[1] 6	2.2	30.4	5.3
Mississippi	20	20	3.4	27.5	9.0
Missouri	7	13	3.2	29.1	6.7
Montana	13	13	2.5	31.8	7.0
Nebraska	[1] 7	[1] 6	1.4	26.8	2.6
Nevada	7	13	3.8	31.6	6.0
New Hampshire	13	[1] 6	2.8	7.7	7.1
New Jersey	7	20	5.0	48.2	6.5
New Mexico	13	13	2.9	35.5	7.6
New York	13	13	4.6	43.5	7.2
North Carolina	7	[1] 6	2.7	17.3	6.0
North Dakota	[1] 7	[1] 6	1.6	36.2	4.2
Ohio	7	[1] 6	2.8	24.1	6.5
Oklahoma	7	[1] 6	2.2	31.4	6.7
Oregon	7	13	4.3	27.6	6.0
Pennsylvania	13	13	4.4	28.8	7.0
Rhode Island	20	20	6.9	46.2	8.2
South Carolina	7	6	3.2	23.1	6.2
South Dakota	[1] 7	[1] 6	0.7	9.1	3.6
Tennessee	7	6	3.4	24.6	6.5
Texas	7	13	2.5	43.7	6.5
Utah	[1] 7	[1] 6	1.6	26.9	4.9
Vermont	13	13	4.0	22.9	7.2
Virginia	[1] 7	[1] 6	1.8	22.9	5.9
Washington	7	13	4.1	25.8	6.4
West Virginia	20	20	4.0	25.1	9.8
Wisconsin	[1] 7	[1] 6	2.8	21.3	5.7
Wyoming	[1] 7	[1] 6	1.6	25.8	5.2
Puerto Rico	20	20	8.0	53.8	16.1
Virgin Islands	[1] 7	[1] 6	([2])	([2])	([2])

TABLE 2.—COMPARISON OF VETOED BILL (S. 1722) AND COMMITTEE AMENDMENT—Continued

State	Vetoed bill (weeks)	Weeks	AIUR (percent)	Exhaustion rate (percent)	6-month TUR (percent)
Number of States:					
Low tier	32	24			
Middle tier	14	19			
High tier	7	10			
Reachback	39	34			

[1] No reachback.
[2] Not available.

WEEKS OF BENEFITS FOR STATES UNDER EUC PROGRAM

6 weeks	13 weeks	20 weeks
Alabama	Arizona	Alaska
Arkansas	California	Connecticut
Colorado [1]	District of Columbia	Maine
Delaware [1]	Florida	Massachusetts
Hawaii [1]	Georgia	Michigan
Indiana [1]	Idaho	Mississippi
Iowa [1]	Illinois	New Jersey
Kentucky	Kansas	Puerto Rico
Louisiana [1]	Maryland	Rhode Island
Minnesota [1]	Missouri	West Virginia
Nebraska [1]	Montana	
New Hampshire [1]	Nevada	
North Carolina [1]	New Mexico	
North Dakota [1]	New York	
Ohio [1]	Oregon	
Oklahoma [1]	Pennsylvania	
South Carolina	Texas	
South Dakota [1]	Vermont	
Tennessee	Washington	
Utah [1]		
Virginia [1]		
Wisconsin [1]		
Wyoming [1]		
Virgin Islands [1]		

[1] No reachback benefits available in that state.

2. Ex-service members' benefits

This provision would make a permanent change to provide unemployment benefits for ex-service members on the same basis as benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-service members would have a waiting period of no more than 1 week and would be eligible for a full 26 weeks of regular benefits (versus a 4 week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet the current 180-day requirement.

3. Nonprofessional school employees

The provision would allow States the option to pay benefits to nonprofessional employees of educational institutions between academic years or terms, if they are eligible otherwise. Such benefits

would not be payable until States pass amendments to their unemployment insurance laws authorizing this coverage.

4. Other provisions

Other provisions would authorize: (1) a three-State job search demonstration project; (2) a Department of Labor report analyzing methods for allocating unemployment insurance administrative funds to States; and (3) a quadrennial advisory council on unemployment compensation.

5. Funding sources

The bill would be paid for by four sources: (a) making estimated tax payments conform more closely to a taxpayer's actual tax liability; (b) making the tax refund offset program for collecting overdue non-tax debts owed to the Federal Government permanent; (c) extending the Federal unemployment surtax of 0.2 percent for 1 year through 1996; and (d) improving collection of guaranteed student loans in default.

(a) Under present law, an individual taxpayer generally is subject to an addition to tax for any underpayment of estimated tax. An individual does not have an underpayment of estimated tax if he or she makes timely estimated tax payments at least equal to: (i) 100 percent of the tax liability of the prior year, or (ii) 90 percent of the tax liability of the current year. Income tax withholding from wages is considered to be a payment of estimated taxes.

Under the provision, taxpayers must make estimated tax payments at least equal to 90 percent of the tax liability of the current year (rather than 100 percent of the tax liability of the prior year) only if:

(1) The taxpayer's adjusted gross income (AGI) grows by more than $40,000 over the prior year ($20,000 for married filing separately); and

(2) The taxpayer has AGI over $75,000 in the current year ($37,500 for married filing separately).

Certain exceptions would apply with respect to taxpayers who have not been subject to estimated tax payment requirements for the 3 prior years, and with respect to income from involuntary conversions, sales of principal residences, and minority interests in limited partnerships and S corporations.

(b) Under present law, Federal agencies may ask the Internal Revenue Service to collect past-due, legally enforceable nontax debts owed to the agency from income tax refunds due to the debtors, if certain conditions are met. This program expires after January 10, 1994. The bill would make this program permanent.

(c) Under present law, the Federal unemployment tax on employers is 0.8 percent on the first $7,000 paid annually to employees. The permanent portion of the 0.8 percent tax rate is 0.6 percent, and 0.2 percent is a temporary surtax expiring at the end of 1995. The bill would extend the surtax for 1 year through 1996.

(d) The fourth provision would tighten certain practices of the lenders of guaranteed student loans; require borrowers to provide information to eligible institutions about their addresses, their employer's addresses, and the addresses of their next of kin after leaving these institutions; allow the Secretary of Education to obtain

information from other Federal agencies on recent addresses of individuals who have obtained certain guaranteed loans; and authorize the Secretary of Education and State guaranty agencies to garnish the disposable pay of individuals who have defaulted on guaranteed student loans, under certain specified conditions.

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III. EXPLANATION OF COMMITTEE AMENDMENT

A. EMERGENCY UNEMPLOYMENT COMPENSATION (EUC) PROGRAM

Present law

Under present law, unemployed workers are paid up to 26 weeks of regular unemployment benefits financed by State unemployment taxes. The extended benefit (EB) program pays up to 13 weeks of additional benefits to workers who have exhausted their regular benefits. The EB program is a joint Federal-State program, half of which is financed by Federal unemployment taxes on employers and half by State unemployment taxes on employers.

Extended benefits are paid only when a State's insured unemployment rate (IUR—the ratio of unemployed workers claiming unemployment benefits to all workers in covered employment) is at least 5 percent *and* exceeds by 20 percent the average rate of unemployment in the State during the last 2 years. States with a 6 percent insured unemployment rate can choose to pay EB without meeting the 20 percent test. All but 12 State programs have elected this option.

Explanation of provision

All States would be eligible to provide Emergency Unemployment Compensation (EUC) benefits to unemployed workers who have exhausted their unemployment benefits under existing programs. These benefits would be available between November 17, 1991, and July 4, 1992.

There would be three levels of weeks of eligibility for EUC benefits. The number of weeks of benefits payable to an unemployed worker in a particular State would be determined by combinations of State adjusted insured unemployment rates (AIURs), exhaustion rates (ERs), and total unemployment rates (TURs). All rates would be rounded to the nearest tenth of a percentage point. For example, 2.95 percent would be rounded to 3.0 percent.

- The weekly AIUR for a State is the insured unemployment rate for a 13-week period, with the number of workers who have exhausted their regular State benefits in the last 3 months added to the numerator.
- The ER is the percentage obtained by dividing the average monthly number of workers who have exhausted their regular State benefits during the last 12 months by the average monthly number of individuals receiving first payments for regular State benefits during the last 12 months. (However, an 8-month average ending with September 1991 was used for determining reachback and initial benefits in the States.)
- The TUR is the pecentage obtained from the ratio of all unemployed workers to all workers in the labor force in that State during the last 6 months for which data are published.

States would receive 6, 13, or 20 weeks as follows:

- All States get at least 6 weeks.
- States with AIURs of at least 4 percent *or* AIURs of at least 2.5 percent and exhaustion rates of at least 29 percent would get at least 13 weeks.
- States with AIURs of at least 5 percent or TURs of at least 9 percent get 20 weeks.

Once a State has "triggered on" for a 6, 13, or 20 week period of EUC benefits, the State would remain triggered on for at least 13 weeks, even if it dropped to a lower tier during that period. Alternatively, if a State moves to a higher tier during that period, workers in that State would qualify for the additional benefits.

Also, once an unemployed worker becomes eligible for 6, 13, or 20 weeks of EUC benefits, the worker would be paid for all weeks to which he was entitled, even if the State dropped to a lower tier or the program expires before the worker had received the full number of weeks of benefits.

Unemployed workers who have exhausted their benefits under the regular unemployment program between March 1 and November 16 would be eligible to receive EUC benefits in States that had AIURs of at least 3 percent. The number of weeks available would be 6 for all States except States on the second and third tiers would be able to pay for 13 or 20 weeks, respectively,

Effective date

November 17, 1991.

WEEKS OF BENEFITS FOR STATES UNDER EUC PROGRAM

6 weeks	13 weeks	20 weeks
Alabama	Arizona	Alaska
Arkansas	California	Connecticut
Colorado [1]	District of Columbia	Maine
Delaware [1]	Florida	Massachusetts
Hawaii [1]	Georgia	Michigan
Indiana [1]	Idaho	Mississippi
Iowa [1]	Illinois	New Jersey
Kentucky	Kansas	Puerto Rico
Louisiana [1]	Maryland	Rhode Island
Minnesota [1]	Missouri	West Virginia
Nebraska [1]	Montana	
New Hampshire [1]	Nevada	
North Carolina [1]	New Mexico	
North Dakota [1]	New York	
Ohio [1]	Oregon	
Oklahoma [1]	Pennsylvania	
South Carolina	Texas	
South Dakota [1]	Vermont	
Tennessee	Washington	
Utah [1]		
Virginia [1]		
Wisconsin [1]		
Wyoming [1]		
Virgin Islands [1]		

[1] No reachback benefits in this State

Note.—Currently, no State gets 13 weeks under the Extended Benefits program

B. JOB SEARCH DEMONSTRATION

Present law

Federal law is silent on eligibility conditions for unemployment benefits. However, under State laws, all States require claimants to be able to work and available for work. Also, most Sates require the claimant to register with a local employment office and to seek work actively or to make a reasonable effort to obtain work.

Explanation of provision

The provision would authorize three State demonstration projects to assess the cost-effectiveness of intensive job search services for unemployment compensation claimants. Claimants who have at least 126 weeks of employment at $30 per week with their last employer in the last 3 years may be required to participate in an intensive job search program after they have received 5 to 10 weeks of regular State benefits. However, no more than 5 percent of the claimants for unemployment compensation in a State could be selected to participate. Workers with definite recall dates or those hiring out of union halls would not be eligible to participate.

Lack of compliance could lead to disqualification of up to 10 weeks of benefits. However, States may waive the requirement for participation if the individual shows good cause.

Participants would be entitled to a voucher worth the lesser of the average weekly benefit (about $167 nationwide) in their State of residence or the reasonable cost of providing the services. Costs of operating a job search program would be funded out of the Extended Unemployment Compensation Account.

Intensive job search assistance would include all basic employment services such as orientation, testing, and job-search workshops. Services would involve periodically contacting the intensive job search assistance program staff, receiving follow-up assistance, and using resource centers and job search materials and equipment, such as telephones, job listings, and word processors for résumé writing.

Demonstration projects would last for 1 year. States would be required to evaluate their programs and to submit interim reports to the Congress, with a final report due no later than 5 years after the commencement of each project.

Effective date

Date of enactment.

C. EX-SERVICE MEMBERS' BENEFITS

Present law

Under Federal, law ex-service members are eligible for only 13 weeks of unemployment compensation after serving a 4-week waiting period. In addition, reservists must serve 180 continuous days on active duty to receive credit for their service.

Explanation of provision

This provision would make a permanent change to provide unemployment benefits for ex-service members on the same basis as

benefits are provided to unemployed civilians. Unemployed veterans of Operation Desert Storm and other ex-service members would have a waiting period of no more than 1 week and would be eligible for a full 26 weeks of regular benefits (versus a 4-week wait and only 13 weeks of regular benefits under current law). In addition, reserve members who have been called to active duty could receive benefits after serving a continuous period of 90 days, instead of having to meet the current 180 day requirement.

Effective date

Weeks of unemployment beginning on or after the date of enactment.

D. NONPROFESSIONAL SCHOOL EMPLOYEES

Present law

Federal law prohibits States from providing unemployment compensation between academic years or terms to employees of educational institutions.

Explanation of provision

The provision would allow States the option to pay benefits to nonprofessional employees of educational institutions between academic years or terms if they are eligible otherwise. To provide such benefits, a State must amend its unemployment insurance law.

Effective date

In the case of compensation paid for weeks beginning on or after the date of enactment.

E. ADVISORY COUNCIL

Present law

Title IX of the Social Security Act requires the Secretary of Labor to establish a Federal Advisory Council on unemployment compensation. The number of members must not exceed 16, including the chairman. The Council's purpose is to review the Federal-State unemployment compensation system and to make recommendations for change to the Secretary.

The Council is appointed by the Secretary, and members consist of representatives of employers and employees, in equal numbers, and the public. The Council held its last formal meeting on April 22 and 23 of 1981. Its charter expired in 1986.

Explanation of provision

This provision would provide for the establishment of an Unemployment Compensation Advisory Council. The Council would be similar in function to the Social Security Advisory Council. It would be appointed every 4 years to examine the purpose, goals and functioning of the unemployment compensation system, and to make recommendations for improvement. Five of the members would be appointed by the President, three by the Speaker of the House in consultation with the Chairman of the Committee on Ways and Means, and three by the President pro tempore of the

Senate in consultation with the Chairman of the Committee on Finance.

Effective date

Date of enactment.

F. REPORT ON ALLOCATING ADMINISTRATIVE FUNDS

Present law

Federal law authorizes appropriations to assist States in the administration of their unemployment compensation laws. The Secretary of Labor certifies to the Secretary of the Treasury for payment to States such amounts as the Secretary determines to be necessary for the proper and efficient administration of unemployment compensation during the fiscal year for which the payment is made. The Secretary of Labor's determination must be based on the population of the State, an estimate of the number of persons covered by the State's unemployment compensation law and the cost of proper and efficient administration of such law, and such other factors as the Secretary of Labor finds relevant. The Secretary of labor may not certify for payment a total amount which exceeds the amount appropriated for the fiscal year.

Explanation of provision

The Department of Labor would be required to send a report to the Congress with a proposal for revising the method for distributing administrative grants to States. The report would be required to include an analysis of various factors such as productivity, cost, workload levels, and simplicity.

Effective date

Date of enactment.

G. EXTENSION OF RAILROAD UNEMPLOYMENT BENEFITS

Present law

Workers in the railroad industry are eligible for a separate unemployment compensation program that provides the equivalent of the 26 weeks of benefits provided under the regular State unemployment compensation programs. Workers with fewer than 10 years of railroad industry service are eligible for the 26 weeks of benefits only. Workers with at least 10 but less than 15 years of service are eligible for an additional 13 weeks of benefits for a maximum of 39 weeks in a benefit year. Workers with 15 or more years of service are eligible for an additional 26 weeks of benefits for a maximum of 52 weeks in a benefit year.

Explanation of provision

The provision would authorize the equivalent of 13 weeks of extended benefits under the Railroad Unemployment Insurance Act (RUIA) for workers with fewer than 10 years of service in the railroad industry. Those who had exhausted regular railroad unemployment compensation after February 28, 1991, and are eligible otherwise would be eligible for reachback benefits.

Effective date

November 17, 1991.

H. FINANCING

1. Extension of program for IRS collection of nontax debts owed to Federal agencies (sec. 6402(d) of IRC)

Present law

Federal agencies are authorized to notify the IRS that a person owes a past due, legally enforceable debt to the agency. The IRS then is required to reduce the amount of any Federal tax refund due such person by the amount of the debt and pay that amount to the agency. The refund offset program applies with respect to debts of individuals and corporations. This program expires after January 10, 1994.

Before a refund can be offset under this program, the agency owed the debt is required to certify to the IRS that the debtor has been notified about the proposed offset and has been given at least 60 days to present evidence that all or part of the debt is not past due or not legally enforceable. The agency also is required to enter into agreement with the IRS prior to transmitting proposed offsets. If a refund otherwise due an individual is subject to offset both under this provision and because of past-due support under the Aid to Families with Dependent Children (AFDC) program, the offset for AFDC past-due support is implemented first.

Explanation of provision

Permanently extend the tax refund offset program. Other than this permanent extension, the program would be unchanged.

Effective date

October 1, 1991.

2. One-year extension of 0.2 percent surtax

Present law

The Federal unemployment tax of 0.8 percent is paid by employers on the first $7,000 paid annually to each employee. Of the 0.8 percent tax rate, 0.6 percentage point is permanent and 0.2 percentage point is scheduled to expire at the end of 1995.

Explanation of provision

The 0.2 percent surtax would be extended for 1 year through 1996.

Effective date

January 1, 1996.

3. Modify individual estimated tax requirements (sec. 403 of the bill and sec. 6654 of the Code)

Present law

Under present law, an individual taxpayer generally is subject to an addition to tax for any underpayment of estimated tax. An indi-

vidual does not have an underpayment of estimated tax if he or she makes timely estimated tax payments at least equal to: (1) 100 percent of the tax liability of the prior year (the "100 percent of last year's liability safe harbor") or (2) 90 percent of the tax liability of the current year. Income tax withholding from wages is considered to be a payment of estimated taxes.

Explanation of provision

In general.—An individual taxpayer will not be able to use the 100 percent of last year's liability safe harbor if the taxpayer exceeds certain threshold amounts. The threshold amounts are exceeded if (1) the taxpayer has an adjusted gross income (AGI) in the current year that exceeds the taxpayer's AGI in the prior year by more than $40,000 ($20,000 in the case of a separate return by a married individual) and (2) the taxpayer has an adjusted gross income (AGI) in excess of $75,000 in the current year ($37,500 in the case of a separate return by a married individual). Thus, under the provision, certain taxpayers who make quarterly estimated tax payments and have large increases in their adjusted gross incomes from one year to another generally will pay their tax liabilities in a pattern similar to the way wage-earners subject to withholding pay their tax liabilities.

The 100 percent of last year's liability safe harbor will remain available (1) for the estimated tax payment for the first quarter of the year, or (2) if the taxpayer's annualized AGI for the quarter is estimated to be within the threshold amounts.

Example 1.—Assume a taxpayer's AGI in Year 1 was $100,000 and his AGI in Year 2 is $150,000. The $50,000 increase in AGI is attributable to a sale of investment property in the fourth quarter of Year 2. Under the provision, the taxpayer may use the 100 percent of last year's liability safe harbor for his first three required estimated tax installments of Year 2 because (1) the safe harbor is available for the first quarterly installment in any event and (2) the taxpayer's estimated AGI through the second and third quarters (determined on an annualized basis) is estimated to be no more than his Year 1 AGI. The 100 percent of last year's liability safe harbor is not available for the fourth quarterly installment because the event that raised the taxpayer's Year 2 AGI over the threshold amount occurred in the fourth quarter.

Any shortfall from using the 100 percent of last year's liability safe harbor must be made up when the exception is not available.

Example 2.—Assume that a taxpayer has an AGI of $300,000 and a tax liability of $80,000 in Year 1 and an AGI of $800,000 and a tax liability of $200,000 in Year 2 and that the change to the taxpayer's AGI is due to increases in taxable income that have occurred ratably throughout Year 2. Under the provision, the taxpayer's first quarterly estimated tax installment for Year 2 may be $20,000 (one-fourth of the Year 1 liability of $80,000) and the second quarterly estimated tax installment will be $70,000 (one-fourth of 90 percent of the Year 2 liability of $200,000 ($45,000) plus the shortfall from the first quarterly installment ($45,000 less $20,000)). The taxpayer's third and fourth quarterly installments will be $45,000 each.

Special rules.—A taxpayer who is a minority owner in a partnership or an S corporation may use the tax information from these entities from the prior year in determining whether or not the taxpayer exceeded the $40,000 AGI threshold amount in the current year and in estimating his or her current year tax liability. For this purpose, a minority owner in a partnership is a limited partner who has a less than 10 percent profits or capital interest in a partnership and a minority owner in an S corporation is a shareholder who has a less than 10 percent ownership interest in the S corporation.

Example 3.—Assume that in Year 1, a taxpayer's only items of income are taxable dividends of $100,000 from stocks held directly and a distributive share of $50,000 from an interest as a minority owner in Partnership A. In Year 2, the taxpayer again has taxable dividend income of $100,000, but has a distributive share of $150,000 from an interest as a minority owner in Partnership B. Her increase in distributive shares from interests as a minority owner in partnerships from Year 1 to Year 2 increases her Year 2 AGI by more than $40,000. The taxpayer will not be subject to the proposal because her increased AGI is attributable to changes to income from interests as a minority owner in partnerships. If the taxpayer's dividend income and partnership income had both increased by $100,000 in Year 2, the taxpayer will be subject to the proposal because the increase in AGI over the threshold amount can be attributed to the increase in dividend income. However, in computing the amount of her required estimated tax installments, the taxpayer may ignore the increase in minority partnership income from Year 1 to Year 2, but must take into account the $50,000 of Year 1 minority partnership income.

In addition, a taxpayer will not take into account gains arising from an involuntary conversion or sale of a principal residence in determining whether or not the $40,000 threshold amount is exceeded and in estimating his or her current year tax liability.

Example 4.—Assume that the increase in the AGI of the taxpayer in Example 1 was attributable to the sale of a principal residence rather than the sale of investment property. The taxpayer will not be subject to the provision because the taxpayer's AGI in Year 2 (determined by not taking the sale of the principal residence into account) will not have exceeded his AGI in Year 1.

The special rules regarding partnership and S corporation income and gain from sales of principal residences and involuntary conversions do not apply for purposes of determining whether the taxpayer exceeded the $75,000 AGI threshold amount.

In addition, the provision does not apply to a taxpayer who had not made a quarterly estimated tax installment (or had not received an assessment for addition to tax for failure to pay estimated tax) with respect to any of the 3 previous years.

Example 5.—Assume that the taxpayer in Example 2 had not made any quarterly estimated tax payments (and had not received an assessment for the addition to tax for failure to pay estimated tax) with respect to any of the three years preceding Year 2. The taxpayer is not subject to the provision for Year 2. If he had made one or more quarterly estimated tax installments in any of the 3 preceding years, he would be subject to the provision.

Effective date

The provision is effective for estimated tax payments applicable to taxable years beginning after December 31, 1991 and before January 1, 1997.

4. Modification of Guaranteed Student Loan Programs

Present law

Current law is silent on most of the provisions of the bill affecting the Guaranteed Student Loan (GSL) programs including those requiring credit checks, the collection of certain information from borrowers, securing the borrower's authorization for an entry of judgment in case of default, and Federal agency data matching. Such activities are not, however, precluded and many are undertaken at the discretion of lenders and other program participants.

Current law does include provisions to encourage States to adopt their own wage garnishment statutes to facilitate collections on defaulted GSLs, but such garnishment is not universally authorized. State guaranty agencies, which are primarily responsible for collections on defaulted loans generally retain 30 percent of collections to cover collection costs with the remainder being forwarded to the Federal Government. For States with garnishment statutes meeting criteria outlined in Federal law, the guarantor may keep 35 percent of such collections on the loans on which collections were made through garnishment.

Explanation of provision

A lender making a student loan without security or endorsement would be required to obtain a credit report from at least one national credit bureau organization on a loan applicant who will be at least 21 years old as of July 1 of the award year for which assistance is sought. The lender may charge the applicant the lesser of $25 or the actual cost of the credit report.

Borrowers with adverse credit histories would be required to have credit-worthy cosigners; borrowers without credit histories would not be considered to have adverse credit histories.

Lenders would be required to obtain the borrower's driver's license number, if any, at the time of application for the loan.

The eligible institution would be required to require the borrower of a loan made under certain parts of the Higher Education Act to submit to the institution during the exit interview his expected permanent address after leaving the institution; the name and address of his expected employer after leaving the institution; and the address of his next of kin. In the case of a loan made under part B, the institution must submit this information to the holder of the loan.

The lender would be required to obtain, as part of the note or written agreement on the loan, the borrower's authorization for entry of judgment against the borrower in the event of default.

Notwithstanding any provision of State law, the provision would authorize the Secretary of Education or State guaranty agencies to garnish the disposable pay of an individual to collect the amount owed by the individual if he is not currently making required repayment under the repayment agreement with the Secretary, or in

the case of a loan guaranteed under part B, with the guaranty agency holding the loan, provided certain conditions are met:

(1) The amount of the deduction may not exceed 10 percent of disposable pay,

(2) the individual receives written notice at least 30 days before initiation of proceedings,

(3) The individual has an opportunity to inspect and copy records relating to the debt,

(4) The individual has an opportunity to enter into a written agreement to reschedule repayment of the debt,

(5) The individual has an opportunity for a hearing,

(6) The employer is required to pay the Secretary, (Also, the Secretary may sue the employer in Federal or State court if he fails to comply.)

(7) The employer may not fire, refuse to hire, or take disciplinary action against an individual subject to wage garnishment under this provision, and

(8) The garnishee is employed and has worked continuously for at least one year if he had been laid off from his job in the prior year. Wage garnishment would not apply to any work-related benefits authorized under the Social Security Act, Federal Unemployment Tax Act, Federal-State Extended Unemployment Compensation Act, Trade Act, and Emergency Unemployment Compensation Act of 1991.

The Secretary would be authorized to obtain information from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States concerning the most recent address of the individual obligated on a loan by the Secretary or a loan made under part B that is held by a guaranty agency, and the name and address of such individual's employer, if the Secretary determines such information is needed to enforce the loan or collect an overpayment.

Protections of such information are provided under the Privacy Act of 1975.

Effective date

Date of enactment.

IV. EFFECT OF THE COMMITTEE AMENDMENT ON THE BUDGET

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following table shows the effect on the budget of the committee amendment to the bill, H.R. 3575. The Committee estimate is identical to the Congressional Budget Office estimate except for $160 million of discretionary administrative monies which will be provided under the appropriations bill for the Departments of Labor, Health and Human Services, and Education. The committee expects the President to sign the bill first and therefore the language governing the additional expenditure of $160 million is in the appropriation bill. The committee fully expects this money to be available to the States once the appropriation bill is signed into law.

BUDGET EFFECTS OF H.R. 3757

[In millions of dollars]

	Fiscal year—					5-year total
	1992	1993	1994	1995	1996	
Outlays:						
EUC benefits	4,645	0	0	0	0	4,645
Ex-service members	105	115	120	120	125	585
School employees	20	20	20	20	20	100
Job search assistance	0	2	0	0	0	2
Rail UI	10	0	0	0	0	10
Gross outlays	4,780	137	140	140	145	5,342
IRS debt collection	−1,100	−160	−160	−160	−160	−1,740
Guaranteed student loans	−15	−25	−25	−25	−25	−115
Net outlays	3,665	−48	−45	−45	−40	3,487
Revenues:						
Estimated tax	2,600	0	0	0	0	2,600
School employees	0	20	20	20	20	80
FUTA extension	0	0	0	0	878	878
Total revenues	2,600	20	20	20	898	3,558
Deficit effect	1,065	−68	−65	−65	−938	−71

Note.—Assumes 7.5-month program from November 17, 1991 to July 4, 1994. In addition, the Labor-HHS appropriations bill will provide approximately $160 million of funding to States for administering these benefits.

Source: Congressional Budget Office.

The Congressional Budget Office estimate for fiscal year 1992 shows an increase in the deficit of over $1 billion. As a result of this estimate, previous versions of the Emergency Unemployment Compensation bills similar to this committee amendment contained language which basically exempted the bill from the provisions of the Budget Enforcement Act of 1990 (BEA). Bills which increase the deficit by increasing entitlement or mandatory spending would

automatically generate a sequester against Medicare and other entitlement programs so that the deficit effect would be eliminated. This language was deleted from the bill upon the written assurance by the administration that their scoring of the bill would not increase the deficit in any of the fiscal years from 1992 through 1995. The letter containing that assurance is attached.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The President has been fully briefed on the unemployment insurance negotiations. He is particularly pleased that, at last, a satisfactory compromise has been reached.

According to our estimates, the compromise is consistent with the Budget Enforcement Act (BEA) in each of the fiscal years 1992 through 1995. This, as you know, has been one of the key criteria the President has insisted upon from the outset. Because the test of consistency with the BEA has now been met on a mutually satisfactory basis, the President strongly urges the prompt enactment of the compromise—in order that benefit payments may be made at the earliest feasible date. He has instructed the Department of Labor to prepare for implementation on the assumption that the Congress may act immediately—with a view toward getting checks out before Thanksgiving wherever possible.

Because OMB estimates that the compromise is fully funded in each of the five budget years, no sequester would be triggered by enactment of the compromise. I therefore respectfully request that you omit any directed scorekeeping language (which we would, of course, have to oppose—and which is now unnecessary).

In making our scoring estimate, I should note that we have accepted a CBO criticism of our earlier estimate of savings derived from the IRS non-tax debt collection provision. CBO correctly pointed out that we had made our error in our baseline calculation. On the advice of OMB's General Counsel, we are correcting our error (as explained in the attached note). I trust you will find this entirely appropriate.

Again, please let me thank you for your consistent interest in trying to conform with the budget agreement—and in helping, thereby, to make this compromise possible.

With best regards,

RICHARD DARMAN,
Director.

ATTACHMENT

The baseline in the President's February budget was constructed based on the belief that the law authorizing the IRS to offset against tax refunds debts owed the U.S. was permanent law. However, the IRS refund offset authority in fact expires, pursuant to law, in January 1994.

The Budget Enforcement Act (BEA) provides that, in constructing the baseline, laws are "assumed to operate in the manner specified in those laws." (Section 257) The baseline calculation violated this BEA provision because the IRS refund offset law was mistakenly assumed to continue when the law provides that it expires. This mistake of law was identified by CBO in their February review of the President's budget.

The BEA also provides that, in scoring legislation during the year, OMB must use the economic and technical assumptions underlying the most recently submitted President's budget. This BEA provision and the BEA baseline provision raise a conflict of law. If OMB uses the technical assumption in the budget concerning the IRS refund offset law, it will continue to violate the BEA baseline provision and perpetuate a mistake of law. If OMB corrects the mistake of law, it will arguably violate the BEA provision requiring use of the assumptions contained in the President's budget.

This conflict should be resolved in a manner most consistent with the principles and purposes of the BEA.

The purpose of the "no change" provision of the BEA is to prevent the use of estimating discretion by OMB to shift the baseline during the year. This concern could be implicated if there is a change under any circumstances or for any reason. However, the concern is directed at changes that reflect a change in judgment—better analysis, new information or improved estimating techniques. This concern is reduced (arguably, eliminated) when the change reflects not a shift in estimating judgment, but recognition of an error of law that violates a provision of the BEA.

The purposes of the detailed estimating rules of the BEA were to set forth a precise process for enforcing spending limits and to confine OMB estimating discretion. Allowing a violation of those directives to be uncorrectable would undermine the purpose of the BEA to establish a budget enforcement process based on rules. The estimating rules of the BEA would be rendered meaningless if their violation could not be corrected; a rule the violation of which cannot be remedied is not a rule. Not correcting such a violation would also undermine the purposes of the BEA by increasing OMB discretion—allowing OMB to make erroneous assumptions that violate the BEA but cannot be corrected.

V. VOTE OF THE COMMITTEE AND OTHER MATTERS TO BE DISCUSSED UNDER HOUSE RULES

A. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made about the changes made to existing law by the committee amendment in-report the bill, H.R. 3575, as amended. The committee amendment was ordered favorably reported by a vote of 29 yeas and 7 nays.

B. OTHER MATTERS

In compliance with clause 2(l)(3) and 2(l)(4) of rule XI of the Rules of the House of Representatives, the following statements are made with respect to the Committee on Ways and Means action on the Committee amendment to H.R. 3575.

Oversight findings

In compliance with clause 2 (l)(3)(A) of rule XI of the Rules of the House of Representatives, the committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Human Resources.

In the 102d Congress, the subcommittee held a total of 5 hearings on unemployment insurance. The hearings were as follows:

On February 6, 1991, the subcommittee held a hearing on Unemployment Insurance and the Recession (Serial 102-1).

On February 20, 1991, the subcommittee held a hearing on Coverage and Finance Issues in the Unemployment Insurance System (Serial 102-7).

On February 26, 1991, the subcommittee held a hearing on Long-Term Unemployed (Serial 102-2).

On February 28, 1991, the subcommittee held a hearing on Job Search and Reemployment Services for the Unemployed (Serial 102-9).

On March 21 and 22, 1991, the subcommittee held a hearing on H.R. 1367, the Unemployment Insurance Reform Act of 1991 (Serial 102-17).

Tax expenditures

With respect to subdivision (B) of clause 2(l)(3), after consultation with the Congressional Budget Office, the committee states that the changes made to existing law by the Committee amendment involve no new increased tax expenditures.

Budget authority

With respect to subdivision (B) of clause 2(l)(3), relating to budget authority, see statement of the Congressional Budget Office below.

Congressional Budget Office estimates

With respect to subdivision (C) of clause 2(l)(3), the Congressional Budget Office has examined the committee amendment to the bill (as indicated in Part III), and submitted the following statement:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, November 15, 1991.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3757, Emergency Unemployment Compensation Act of 1991, as ordered reported by the Committee on Ways and Means on November 13, 1991. Because the bill would affect direct spending and receipts, we also have enclosed the estimate required by clause 8 of House Rule XXI.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Cory Oltman (226-2820).

Sincerely,

ROBERT D. REISCHAUER,
Director.

Enclosures.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

H.R. 3757, EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1991

(By fiscal years, in millions of dollars)

	1992	1993	1994	1995	1996
Direct Spending					
Emergency Unemployment Compensation	4,645	0	0	0	0
Unemployment Administrative Expenses [1]	160	0	0	0	0
Former Members of the Armed Services	105	115	120	120	125
School Employees	20	20	20	20	20
Railroad Unemployment	10	0	0	0	0
Federal Job Search Assistance	0	2	0	0	0
IRS Offset for Nontax Debt Collection	1,100	160	160	160	160
Guaranteed Student Loans	−15	−25	25	−25	−25
Total, direct spending	3,825	−48	−45	−45	−40
Net Revenues					
School Employees	0	20	20	20	20
Estimated Tax [2]	2,600	0	0	0	0
FUTA Surtax Extension	0	0	0	0	878
Total, revenues	2,600	20	20	20	878
Direct spending less revenues	1,225	−68	−65	−65	−938
Authorization of Discretionary Appropriations: Advisory Council	1	1	0	0	1

[1] This bill would provide additional unemployment benefits of $4.645 billion that would require an additional estimated $160 million in administrative expenses. The Labor, Health and Human Services Appropriations bill for 1992, which has cleared the Congress, contains a contingency provision that would be activated with enactment of H.R. 3757.

[2] Estimate provided by the Joint Committee on Taxation.

Note.—Emergency Unemployment Compensation would be effective from November 17, 1991, through July 4, 1991.

CONGRESSIONAL BUDGET OFFICE ESTIMATE [1]

The applicable cost estimate of this Act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

[By fiscal years, in millions of dollars]

	1992	1993	1993	1995
Change in outlays	3,825	−48	−45	−45
Change in receipts	2,600	20	20	20

[1] An estimate of H.R. 3757, the Emergency Unemployment Compensation Act of 1991, as ordered reported by the House Ways and Means Committee on November 13, 1991.

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VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 8521 OF TITLE 5, UNITED STATES CODE

§ 8521. Definitions; application

(a) For the purpose of this subchapter—

(1) "Federal service" means active service (not including active duty in a reserve status unless for a continuous period of [180] *90* days or more) in the armed forces or the Commissioned Corps of the National Oceanic and Atmospheric Administration if with respect to that service—

(A) * * *

* * * * * * *

[(c)(1) An individual shall not be entitled to compensation under this subchapter for any week before the fifth week beginning after the week in which the individual was discharged or released.

[(2) The aggregate amount of compensation payable on the basis of Federal service (as defined in subsection (a)) to any individual with respect to any benefit year shall not exceed 13 times the individual's weekly benefit amount for total unemployment.]

INTERNAL REVENUE CODE OF 1986

* * * * * * *

Subtitle C—Employment Taxes

* * * * * * *

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

* * * * * * *

SEC. 3301. RATE OF TAX.

There is hereby imposed on every employer (as defined in section 3306(a)) for each calendar year an excise tax, with respect to having individuals in his employ, equal to—

(1) 6.2 percent in the case of calendar years 1988 through [1995] *1996;* or

(2) 6.0 percent in the case of calendar year [1996] *1997* and each calendar year thereafter, of the total wages (as defined in section 3306(b)) paid by him during the calendar year with respect to employment (as defined in section 3306(c)).

* * * * * * *

SEC. 3304. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.—The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

(1) * * *

* * * * * * *

(6)(A) compensation is payable on the basis of service to which section 3309(a)(1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law except that—

(i) * * *

(ii) with respect to services in any other capacity for an educational institution to which section 3309(a)(1) applies—

(I) compensation payable on the basis of such services [shall be denied] *may be denied* to any individual for any week which commences during a period between 2 successive academic years or terms if such individual performs such services in the first of such academic years or terms and there is a reasonable assurance that such individual will perform such services in the second of such academic years or terms, except that

(II) if compensation is denied to any individual for any week under subclause (I) and such individual was not offered an opportunity to perform such services for the educational institution for the second of such academic years or terms, such individual shall be entitled to a retroactive payment of the compensation for each week for which the individual filed a timely claim for compensation and for which compensation was denied solely by reason of subclause (I),

(iii) with respect to any services described in clause (i) or (ii), compensation payable on the basis of such services shall be denied to any individual for any week which commences during an established and customary vacation period or holiday recess if such individual performs such services in the period immediately before such vacation period or holiday recess, and there is a reasonable assurance that such individual will perform such services in the period immediately following such vacation period or holiday recess, [and]

(iv) with respect to any services described in clause (i) or (ii), compensation payable on the basis of services in any such capacity shall be denied as specified in clauses (i), (ii), and (iii) to any individual who performed such services in an educational institution while in the employ of an educational service agency, and for this purpose of the term "educational service agency" means a governmental agency of governmental entity which is established and operated exclusively for the purpose

of providing such services to one or more educational institutions, [and]

(v) with respect to services to which section 3309(a)(1) applies, if such services are provided to or on behalf of an educational institution, compensation may be denied under the same circumstances as described in clauses (i) through (iv), and

(vi) with respect to services described in clause (ii), clauses (iii) and (iv) shall be applied by substituting "may be denied" for "shall be denied", and

* * * * * * *

Subtitle F—Procedure and Administration

* * * * * * * *

CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES

* * * * * * * *

Subchapter A—Additions to the Tax and Additional Amounts

* * * * * * * *

PART I—GENERAL PROVISIONS

* * * * * * * *

SEC. 6654. FAILURE BY INDIVIDUAL TO PAY ESTIMATED INCOME TAX.

(a) * * *

* * * * * * * *

(d) AMOUNT OF REQUIRED INSTALLMENTS.—For purposes of this section—

(1) AMOUNT.—

(A) * * *

* * * * * * * *

(C) LIMITATION ON USE OF PRECEDING YEAR'S TAX.—

(i) IN GENERAL.—In any case to which this subparagraph applies, clause (ii) of subparagraph (B) shall be applied as if it read as follows:

"(ii) the greater of—

"(I) 100 percent of the tax shown on the return of the individual for the preceding taxable year, or

"(II) 90 percent of the tax shown on the return for the current year, determined by taking into account the adjustments set forth in subparagraph (D)."

(ii) CASES TO WHICH SUBPARAGRAPH APPLIES.—This subparagraph shall apply if—

(I) the modified adjusted gross income for the current year exceeds the amount of the adjusted gross income shown on the return of the individual for the preceding taxable year by more than

$40,000 ($20,000 in the case of a separate return for the current year by a married individual),

(II) the adjusted gross income shown on the return for the current year exceeds $75,000 ($37,500 in the case of a married individual filing a separate return), and

(III) the taxpayer has made a payment of estimated tax (determined without regard to subsection (g) and section 6402(b)) with respect to any of the preceding 3 taxable years (or a penalty has been previously assessed under this section for a failure to pay estimated tax with respect to any of such 3 preceding taxable years).

This subparagraph shall not apply to any taxable year beginning after December 31, 1996.

(iii) MAY USE PRECEDING YEAR'S TAX FOR FIRST INSTALLMENT.—This subparagraph shall not apply for purposes of determining the amount of the 1st required installment for any taxable year. Any reduction in an installment by reason of the preceding sentence shall be recaptured by increasing the amount of the 1st succeeding required installment (with respect to which the requirements of clause (iv) are not met) by the amount of such reduction.

(iv) ANNUALIZATION EXCEPTION.—This subparagraph shall not apply to any required installment if the individual establishes that the requirements of subclauses (I) and (II) of clause (ii) would not have been satisfied if such subclauses were applied on the basis of—

(I) the annualized amount of the modified adjusted gross income for months in the current year ending before the due date for the installment determined by assuming that all items referred to in clause (i) of subparagraph (D) accrued ratably during the current year, and

(II) the annualized amount of the adjusted gross income for months in the current year ending before the due date for the installment.

Any reduction in an installment under the preceding sentence shall be recaptured by increasing the amount of the 1st succeeding required installment (with respect to which the requirements of the preceding sentence are not met) by the amount of such reduction.

(D) MODIFIED ADJUSTED GROSS INCOME FOR CURRENT YEAR.—For purposes of this paragraph, the term "modified adjusted gross income" means the amount of the adjusted gross income shown on the return for the current year determined with the following modifications:

(i) The qualified pass-thru items shown on the return for the preceding taxable year shall be treated as also shown on the return for the current year (and the actual qualified pass-thru items (if any) for the current year shall be disregarded).

(ii) The amount of any gain from any involuntary conversion (within the meaning of section 1033) which is shown on the return for the current year shall be disregarded.

(iii) The amount of any gain from the sale or exchange of a principal residence (within the meaning of section 1034) which is shown on the return for the current year shall be disregarded.

(E) QUALIFIED PASS-THRU ITEM.—For purposes of this paragraph—

(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the term "qualified pass-thru item" means any item of income, gain, loss, deduction, or credit attributable to an interest in a partnership or S corporation. Such term shall not include any gain or loss from the disposition of an interest in an entity referred to in the preceding sentence.

(ii) 10-PERCENT OWNERS AND GENERAL PARTNERS EXCLUDED.—The term "qualified pass-thru item" shall not include, with respect to any year, any item attributable to—

(I) an interest in an S corporation, if at any time during such year the individual was a 10-percent owner in such corporation, or

(II) an interest in a partnership, if at any time during such year the individual was a 10-percent owner or general partner in such partnership.

(iii) 10-PERCENT OWNER.—The term "10-percent owner" means—

(I) in the case of an S corporation, an individual who owns 10 percent or more (by vote or value) of the stock in such corporation, and

(II) in the case of a partnership, an individual who owns 10 percent or more of the capital interest (or the profits interest) in such partnership.

(F) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

(i) CURRENT YEAR.—The term "current year" means the taxable year for which the amount of the installment is being determined.

(ii) SPECIAL RULE.—If no return is filed for the current year, any reference in subparagraph (C) or (D) to an item shown on the return for the current year shall be treated as a reference to the actual amount of such item for such year.

(iii) MARITAL STATUS.—Marital status shall be determined under section 7703.

* * * * * * *

(i) SPECIAL RULES FOR FARMERS AND FISHERMEN.—For purposes of this section—

(1) IN GENERAL.—If an individual is a farmer or fisherman for any taxable year—

(A) * * *

* * * * * * *

[(C) the amount of such installment shall be equal to the required annual payment (determined under subsection (d)(1)(B) by substituting "66⅔ percent" for "90 percent", and]

(C) the amount of such installment shall be equal to the required annual payment determined under subsection (d)(1)(B) by substituting "66⅔ percent" for "90 percent" and without regard to subparagraph (C) of subsection (d)(1), and

* * * * * * *

(j) SPECIAL RULES FOR NONRESIDENT ALIENS.—In the case of a nonresident alien described in section 6072(c):

(1) * * *

* * * * * * *

(3) AMOUNT OF REQUIRED INSTALLMENTS.—

(A) FIRST REQUIRED INSTALLMENT.—In the case of the first required installment, subsection (d) shall be applied by substituting "50 percent" for "25 percent" in subsection (d)(1)(A) *and subsection (d)(1)(C)(iii) shall not apply.*

* * * * * * *

(l) ESTATES AND TRUSTS.—

(1) * * *

* * * * * * *

(4) SPECIAL RULE FOR ANNUALIZATIONS.—In the case of any estate or trust to which this section applies, [subsection (d)(2)(B)(i)] *paragraphs (1)(C)(iv) and (2)(B)(i) of subsection (d)* shall be applied by substituting "ending before the date 1 month before the due date for the installment" for "ending before the due date for the installment".

* * * * * * *

SECTION 908 OF THE SOCIAL SECURITY ACT

[FEDERAL ADVISORY COUNCIL

[SEC. 908. (a) The Secretary of Labor shall establish a Federal Advisory Council, of not to exceed 16 members including the chairman, for the purpose of reviewing the Federal-State program of unemployment compensation and making recommendations to him for improvement of the system.

[(b) The Council shall be appointed by the Secretary without regard to the civil service laws and shall consist of men and women who shall be representatives of employers and employees in equal numbers, and the public.

[(c) The Secretary may make available to the Council an Executive Secretary and secretarial, clerical, and other assistance, and such pertinent data prepared by the Department of Labor, as it may require to carry out its functions.

[(d) Members of the Council shall, while serving on business of the Council, be entitled to receive compensation at rates fixed by

the Secretary, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by 5 U.S.C. 5703 for persons in government service employed intermittently.

[(e) The Secretary shall encourage the organization of similar State advisory councils.

[(f) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter such sums, not to exceed $100,000, as may be necessary to carry out the purposes of this section.]

ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION

SEC. 908. (a) ESTABLISHMENT.—Not later than February 1, 1992, and every 4th year thereafter, the Secretary of Labor shall establish an advisory council to be known as the Advisory Council on Unemployment Compensation (referred to in this section as the "Council").

(b) FUNCTION.—It shall be the function of each Council to evaluate the unemployment compensation program, including the purpose, goals, countercyclical effectiveness, coverage, benefit adequacy, trust fund solvency, funding of State administrative costs, administrative efficiency, and any other aspects of the program and to make recommendations for improvement.

(c) MEMBERS.—

(1) IN GENERAL.—Each Council shall consist of 11 members as follows:

(A) 5 members appointed by the President, to include representatives of business, labor, State government, and the public.

(B) 3 members appointed by the President pro tempore of the Senate, in consultation with the Chairman and ranking member of the Committee on Finance of the Senate.

(C) 3 members appointed by the Speaker of the House of Representatives, in consultation with the Chairman and ranking member of the Committee on Ways and Means of the House of Representatives.

(2) QUALIFICATIONS.—In appointing members under subparagraphs (B) and (C) of paragraph (1), the President pro tempore of the Senate and the Speaker of the House of Representatives shall each appoint—

(A) 1 representative of the interests of business,

(B) 1 representative of the interests of labor, and

(C) 1 representative of the interests of State governments.

(3) VACANCIES.—A vacancy in any Council shall be filled in the manner in which the original appointment was made.

(4) CHAIRMAN.—The President shall appoint the Chairman of the Council from among it members.

(d) STAFF AND OTHER ASSISTANCE.—

(1) IN GENERAL.—Each Council may engage any technical assistance (including actuarial services) required by the Council to carry out its functions under this section.

(2) ASSISTANCE FROM SECRETARY OF LABOR.—The Secretary of Labor shall provide each Council with any staff, office facilities, and other assistance, and any data prepared by the Department of Labor, required by the Council to carry out its functions under this section.

(e) COMPENSATION.—Each member of any Council—

(1) shall be entitled to receive compensation at the rate of pay for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Council, and

(2) while engaged in the performance of such duties away from such member's home or regular place of business, shall be allowed travel expenses (including per diem in lieu of subsistence) as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

(f) REPORT.—

(1) IN GENERAL.—Not later than February 1 of the 2d year following the year in which any Council is required to be established under subsection (a), the Council shall submit to the President and the Congress a report setting forth the findings and recommendations of the Council as a result of its evaluation of the unemployment compensation program under this section.

(2) REPORT OF FIRST COUNCIL.—The Council shall include in its report required to be submitted by February 1, 1994, the Council's findings and recommendations with respect to determining eligibility for extended unemployment benefits on the basis of unemployment statistics for regions, States, or subdivisions of States.

SECTION 2653 OF THE DEFICIT REDUCTION ACT OF 1984

COLLECTION OF NON-TAX DEBITS OWED TO FEDERAL AGENCIES

SEC. 2653. (a) * * *

* * * * * * *

(c) The amendments made by this section shall apply with respect to refunds payable under section 6402 of the Internal Revenue Code of 1954 after December 31, 1985[, and on or before January 10, 1994].

HIGHER EDUCATION ACT OF 1965

* * * * * * *

TITLE IV—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

* * * * * * *

PART B—ROBERT T. STAFFORD STUDENT LOAN PROGRAM

* * * * * * *

ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED STUDENT LOANS

SEC. 427. (a) LIST OF REQUIREMENTS.—Except as provided in section 428C, a loan by an eligible lender shall be insurable by the Secretary under the provisions of this part only if—

(1) * * *

(2) evidenced by a note or other written agreement which—

[(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by the borrower would not, under the applicable law, create a binding obligation, endorsement may be required;]

(A) is made without security and without endorsement, except that prior to making a loan insurable by the Secretary under this part a lender shall—

(i) obtain a credit report, from at least one national credit bureau organization, with respect to a loan applicant who will be at least 21 years of age as of July 1 of the award year for which assistance is being sought, for which the lender may charge the applicant an amount not to exceed the lesser of $25 or the actual cost of obtaining the credit report; and

(ii) require an applicant of the age specified in clause (i) who, in the judgment of the lender in accordance with the regulations of the Secretary, has an adverse credit history, to obtain a credit worthy cosigner in order to obtain the loan, provided that, for purposes of this clause, an insufficient or nonexistent credit history may not be considered to be an adverse credit history;

* * * * * * *

(d) BORROWER INFORMATION.—The lender shall obtain the borrower's driver's license number, if any, at the time of application for the loan.

* * * * * * *

FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS

SEC. 428. (a) FEDERAL INTEREST SUBSIDIES.—

(1) * * *

(2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.—(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall—

(i) have provided to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which—

(I) sets forth such student's estimated cost of attendance (as determined under section 472);

(II) sets forth such student's estimated financial assistance; and

(III) sets forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G; [and]

(ii) meet the requirements of subparagraph (B)[.]; *and*

(iii) have provided to the lender at the time of application for a loan made, insured, or guaranteed under this part, the student's driver's number, if any.

* * * * * * *

(b) INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.—

(1) REQUIREMENTS OF INSURANCE PROGRAM.—Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program—

(A) * * *

* * * * * * *

(U) provides (i) for the eligibility of all lenders described in section 435(d)(1) under reasonable criteria, unless (I) that lender is eliminated as a lender under regulations for the emergency action limitation, suspension, or termination of a lender under the Federal student loan insurance program or is eliminated as a lender pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility as a lender issued under the Federal student loan insurance program, or (II) there is a State constitutional prohibition affecting the eligibility of a lender, and (ii) assurances that the guaranty agency will report to the Secretary concerning changes in such criteria, including any procedures in effect under such program to take emergency action limit, suspend, or terminate lenders; [and]

(V)(i) provides that, upon written request, a lender shall grant a borrower forbearance, renewable at 12-month intervals for a period equal to the length of time remaining in the borrower's medical or dental internship or residency program, on such terms as are otherwise consistent with the regulations of the Secretary and agreed upon in writing by the parties to the loan, with the approval of the insurer, if the borrower—

(I) is serving in a medical or dental internship or residency program, the successful completion of which is required to begin professional practice or service, or is serving in a medical or dental internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a

health care facility that offers postgraduate training; and

(II) has exhausted his or her eligibility for a deferment under section 427(a)(2)(C)(vii) or subparagraph (M)(vii) of this paragraph; and

(ii) provides that no administrative or other fee may be charged in connection with the granting of a forbearance under clause (i), and that no adverse information regarding a borrower may be reported to a credit bureau organization solely because of the granting of a forbearance under clause (i)[.];

(W) provides that prior to making a loan made, insured, or guaranteed under this part (other than a loan made in accordance with section 428C), a lender shall—

(i) obtain a credit report, from at least one national credit bureau organization, with respect to a loan applicant who will be at least 21 years of age as of July 1 of the award year for which assistance is being sought, for which the lender may charge the applicant an amount not to exceed the lesser of $25 or the actual cost of obtaining the credit report; and

(ii) require an applicant of the age specified in clause (i) who, in the judgment of the lender in accordance with the regulations of the Secretary, has an adverse credit history, to obtain a credit worthy cosigner in order to obtain the loan, provided that, for purposes of this clause, an insufficient or nonexistent credit history may not be considered to be an adverse credit history; and

(X) provides that the lender shall obtain, as part of the note or written agreement evidencing the loan, the borrower's authorization for entry of judgment against the borrower in the event of default.

* * * * * * *

(c) GUARANTY AGREEMENTS FOR REIMBURSING LOSSES.—

(1) * * *

* * * * * * *

(6) SECRETARY'S EQUITABLE SHARE.—(A) * * *

* * * * * * *

[(D) In the case of a State which enacts and enforces a garnishment law that complies with the requirements of section 428E, subparagraph (A)(ii) shall be applied by substituting "35 percent" for "30 percent".]

* * * * * * *

[STATE GARNISHMENT LAW REQUIREMENTS

[SEC. 428E. (a) REQUIREMENTS FOR ADDITIONAL COST PAYMENTS.—A garnishment law complies with the requirements of this section if such law—

[(1) provides that the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a

greater percentage may be deducted upon the written consent of the individual involved except that any State which has a garnishment law in effect on the date of the enactment of the Higher Education Amendments of 1986 which provides for the deduction of an amount not to exceed 15 percent of disposable pay, shall be deemed to meet the requirements of this paragraph;

[(2) provides the individual with a minimum of 30 days written notice, informing such individual of the nature and amount of the indebtedness determined by such agency to be due, the intention of the agency to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under such law;

[(3) provides the individual with an opportunity to inspect and copy records relating to the debts;

[(4) provides the individual with an opportunity to enter into a written agreement with the agency, under terms agreeable to the head of the agency or his designee, to establish a schedule for the repayment of the debt;

[(5) provides the individual with an opportunity for a hearing in accordance with subsection (b) of the determination of the agency concerning the existence or the amount of the debt, and in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to paragraph (4), concerning the terms of the repayment schedule, but does not permit additional administrative or judicial procedures that would delay collection of the debt (such as reduction of the debt to a judgment);

[(6) provides that the employer will be held liable to the agency for an amount which such employer fails to withhold from wages due an employee following receipt by such employer of notice of the withholding order, but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this paragraph; and

[(7) provides for the imposition of a fine against any employer who discharges from employment, refuses to employ, or takes disciplinary action against any individual subject to wage withholding required by this section because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer.

[(b) HEARING REQUIREMENTS.—A hearing described in subsection (a)(5) shall be provided if the individual, on or before the 15th day following receipt of the notice described in subsection (a)(2), and in accordance with such procedures as the head of the agency may prescribe, files a petition requesting such a hearing. The timely filing of a petition for hearing shall stay the commencement of collection proceedings. A hearing under subsection (a)(5) may not be conducted by an individual under the supervision or control of the head of the agency, except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.

[(c) NOTICE REQUIREMENTS.—The notice of the withholding order shall contain only such information as may be necessary for the employer to comply with the withholding order.

[(d) DEFINITION.—For the purpose of this section, the term "disposable pay" means that part of pay of any individual remaining after the deduction of any amounts required by law to be withheld.]

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PART G—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

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INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS

SEC. 485. (a) * * *

(b) [EXIT COUNSELING FOR BORROWERS.—] *EXIT COUNSELING FOR BORROWERS; BORROWER INFORMATION.*—Each eligible institution shall, through financial aid officers or otherwise, make available counseling to borrowers (individually or in groups) of loans which are made, insured, or guaranteed under part B of this title (other than loans made pursuant to section 428B) of this title or made under part E of this title prior to the completion of the course of study for which the borrower enrolled at the institution or at the time of departure from such institution. The counseling required by this subsection shall include—

(1) general information with respect to the average indebtedness of students who have loans under part B or part E;

(2) the average anticipated monthly repayments, a review of the repayment options available, together with such debt and management strategies as the institution determines are designed to facilitate the repayment of such indebtedness; and

(3) the terms and conditions under which the student may obtain partial cancellation or defer repayment of the principal and interest for service under the Peace Corps Act (as established by the Peace Corps Act (22 U.S.C. 2501 et seq.)) or under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4951 et seq.) or for comparable full-time service as a volunteer for a tax-exempt organization of demonstrated effectiveness.

In the case of a borrower who leaves an institution without the prior knowledge of the institution, the institution shall attempt to provide the information to the student in writing. *Each eligible institution shall require that the borrower of a loan made under part B, part D, or part E submit to the institution, during the exit interview required by this subsection, the borrower's expected permanent address after leaving the institution, regardless of the reason for leaving; the name and address of the borrower's expected employer after leaving the institution; and the address of the borrower's next of kin. In the case of a loan made under part B, the institution shall then submit this information to the holder of the loan.*

* * * * * * *

WAGE GARNISHMENT REQUIREMENT

SEC. 488A. (a) GARNISHMENT REQUIREMENTS.—Notwithstanding any provision of State law, a guaranty agency, or the Secretary in the case of loans made, insured or guaranteed under this title that are held by the Secretary, may garnish the disposable pay of an individual to collect the amount owed by the individual, if he or she is not currently making required repayment under a repayment agreement with the Secretary, or, in the case of a loan guaranteed under part B on which the guaranty agency received reimbursement from the Secretary under section 428(c), with the guaranty agency holding the loan, as appropriate, provided that—

(1) the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a greater percentage may be deducted with the written consent of the individual involved;

(2) the individual shall be provided written notice, sent by mail to the individual's last known address, a minimum of 30 days prior to the initiation of proceedings, from the guaranty agency or the Secretary, as appropriate, informing such individual of the nature and amount of the loan obligation to be collected, the intention of the guaranty agency or the Secretary, as appropriate, to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under this section;

(3) the individual shall be provided an opportunity to inspect and copy records relating to the debt;

(4) the individual shall be provided an opportunity to enter into a written agreement with the guaranty agency or the Secretary, under terms agreeable to the Secretary, or the head of the guaranty agency or his designee, as appropriate, to establish a schedule for the repayment of the debt;

(5) the individual shall be provided an opportunity for a hearing in accordance with subsection (b) on the determination of the Secretary or the guaranty agency, as appropriate, concerning the existence or the amount of the debt, and, in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to paragraph (4), concerning the terms of the repayment schedule;

(6) the employer shall pay to the Secretary or the guaranty agency as directed in the withholding order issued in this action, and shall be liable for, and the Secretary or the guaranty agency, as appropriate, may sue the employer in a State or Federal court of competent jurisdiction to recover, any amount that such employer fails to withhold from wages due an employee following receipt of such employer of notice of the withholding order, plus attorneys' fees, costs, and, in the court's discretion, punitive damages, but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this paragraph;

(7) if an individual has been reemployed within 12 months after having been involuntarily separated from employment, no amount may be deducted from the disposable pay of such indi-

vidual until such individual has been reemployed continuously for at least 12 months; and

(8) an employer may not discharge from employment, refuse to employ, or take disciplinary action against an individual subject to wage withholding in accordance with this section by reason of the fact that the individual's wages have been subject to garnishment under this section, and such individual may sue in a State or Federal court of competent jurisdiction any employer who takes such action. The court shall award attorneys' fees to a prevailing employee and, in its discretion, may order reinstatement of the individual, award punitive damages and back pay to the employee, or order such other remedy as may be reasonably necessary.

(b) HEARING REQUIREMENTS.—A hearing described in subsection (a)(5) shall be provided prior to issuance of a garnishment order if the individual, on or before the 15th day following the mailing of the notice described in subsection (a)(2), and in accordance with such procedures as the Secretary or the head of the guaranty agency, as appropriate, may prescribe, files a petition requesting such a hearing. If the individual does not file a petition requesting a hearing prior to such date, the Secretary or the guaranty agency, as appropriate, shall provide the individual a hearing under subsection (a)(5) upon request, but such hearing need not be provided prior to issuance of a garnishment order. A hearing under subsection (a)(5) may not be conducted by an individual under the supervision or control of the head of the guaranty agency, except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.

(c) NOTICE REQUIREMENTS.—The notice to the employer of the withholding order shall contain only such information as may be necessary for the employer to comply with the withholding order.

(d) DEFINITION.—For the purpose of this section, the term "disposable pay" means that part of the compensation of any individual from an employer remaining after the deduction of any amounts required by law to be withheld..

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DATA MATCHING

SEC. 489A. (a)(1) The Secretary is authorized to obtain information from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States concerning the most recent address of an individual obligated on a loan held by the Secretary or a loan made in accordance with part B of this title held by a guaranty agency, or an individual owing a refund of an overpayment of a grant awarded under this title, and the name and address of such individual's employer, if the Secretary determines that such information is needed to enforce the loan or collect the overpayment.

(2) The Secretary is authorized to provide the information described in paragraph (1) to a guaranty agency holding a loan made under part B of this title on which such individual is obligated.

(b)(1) Notwithstanding any other provision of law, whenever the head of any department, agency, or instrumentality of the United States receives a request from the Secretary for information authorized under this section, such individual or his designee shall promptly cause a search to be made of the records of the agency to determine whether the information requested is contained in those records.

(2)(A) If such information is found, the individual shall, in conformance with the provisions of the Privacy Act of 1974, as amended, immediately transmit such information to the Secretary, except that if disclosure of this information would contravene national policy or security interests of the United States, or the confidentiality of census data, the individual shall immediately so notify the Secretary and shall not transmit the information.

(B) If no such information is found, the individual shall immediately so notify the Secretary.

(3)(A) The reasonable costs incurred by any such agency of the United States in providing any such information to the Secretary shall be reimbursed by the Secretary, and retained by the agency.

(B) Whenever such information is furnished to a guaranty agency, that agency shall be charged a fee to be used to reimburse the Secretary for the expense of providing such information.

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VII. MINORITY VIEWS

MINORITY VIEWS OF MR. ARCHER, MR. VANDER JAGT, MR. CRANE, MR. SCHULZE, MR. GRADISON, MR. SHAW AND MR. BUNNING ON THE COMMITTEE AMENDMENT TO H.R. 3575

The Majority has protested mightily this year about fairness and simplification in the tax code, and time and again we have heard reaffirmation of our committee's bipartisan pledge to live within the constraints of last year's hard-fought budget agreement.

The committee amendment to H.R. 3575 runs directly counter to those worthy goals. Without the benefit of public hearings, it adds significantly to the complexity of the tax code and imposes unfair mandatory standards of accuracy on taxpayers who cannot find their way out of a new maze of "safe harbors" in estimated tax calculations.

Ironically, this bill sets a very intriguing precedent for future consideration of vital issues. Under Congressional Budget Office and Joint Tax Committee scorekeeping, the package was $910 million short of meeting the budget agreement's "pay as you go" requirements in the first year when it was put before our committee.

At that point, however, the committee was told that the Chairman had received an important letter from Office of Management and Budget Director Richard Darman. The letter said the package would not trigger a sequester, because OMB scorekeeping estimates now showed that the package paid for itself in each year.

Based upon that assurance, the chairman decided to ignore the official CBO/Joint Tax Committee scoring, delete the bill's directed scorekeeping provisions under House Rule XXI, clause 8, and go with OMB scoring since it worked to the advantage of passing the bill.

This is an exciting new precedent which will be established by the enactment of H.R. 3575. As we pointed out in committee, it opens up all sorts of new possibilities for capital gains and other important proposals where scorekeeping differences between Administration and congressional estimators have been the stumbling block to passage. A letter from OMB is now all we will need to overcome those previously insurmountable barriers.

Unfortunately, the substance of the committee amendment leaves much to be desired. The $5.2 billion drain on the unemployment trust fund makes it virtually inevitable that at some future date unemployment taxes will have to be increased to return the fund to solvency. Only a small fraction of the revenue generated by this bill—the extension of the .2% FUTA surtax—goes into the trust fund.

The estimated tax provisions, in spite of their panoply of complex income thresholds, carve-outs and special rules, will create genuine hardship for many taxpayers. Yes, it can be argued that they pro-

vide some relief from the indiscriminate estimated tax approach which was first proposed that met a bipartisan fire storm in our committee. Nonetheless, we believe that the basic proposition is completely misguided. The estimated tax provisions have nothing whatsoever to do with unemployment insurance. They constitute a multi-year morass of complexity in the tax code to finance a temporary benefit. The estimated tax change is merely a gimmick to increase tax collections from one group of vulnerable taxpayers in order to pay for unrelated increased federal spending.

Proponents would have the American people believe that the amendment will create hardship only for the wealthy who can easily calculate their tax liabilities. That simply is not true. The new standards will ensnare small investors, retirees, owners of family businesses and people who must sell off assets to meet family emergencies.

The partial relief provided for small interests in limited partnerships and S corporations takes a rough justice approach to carving out an exemption, with the emphasis clearly on "rough" rather than "justice". Nor does the amendment do anything to solve the original proposal's flaws with regard to income from other pass-through entities such as trusts, estates, pension distributions, and mutual funds.

One of the most frustrating aspects of the amendment's financing mechanism is that it exacerbates an already serious problem in current law—the inability of taxpayers to obtain the information they need in time to file their estimated tax payments. The amendment provides no relief in that area. Instead, it imposes penalties on taxpayers who simply cannot comply with the law. Is that how we define "fairness"?

Furthermore, the committee amendment will greatly complicate tax filing for many taxpayers. Not only must they be able to guess their expected income correctly, they must also be able to guess what their deductions will be—both above and below the line. Filing the annual Form 1040 is an onerous enough task. Filling out a form 1040 an additional four times a year with information that ranges from the probable to the speculative will be absurdly and unnecessarily complex for many Americans.

The committee has accomplished significant preliminary work on tax simplification this year. For many taxpayers, however, this amendment will generate enough complexity to eclipse those previous simplification efforts even before they are enacted. It is most unfortunate that the committee chose not to explore and embrace alternatives which were simpler and fair to all taxpayers.

We understand that there is a certain bipartisan desperation to get the unemployment compensation issue behind us. We have no expectation that our concerns over unfairness, additional complexity, and the budget agreement will deter those who are focused on the enactment of a bill at virtually any cost. This latest incarnation of the estimated tax grab may appear to provide the magical answer negotiators have sought.

We simply would point out that the "silver bullet" manufactured to finance the package is more than a bit tarnished even before taxpayers who are affected have felt its punch, and feel its punch they will. Have we already forgotten the lessons of Section 89—

that dire consequences accompany precipitous and ill-informed action?

Apparently so.

BILL ARCHER.
GUY VANDER JAGT.
PHILIP CRANE.
RICHARD SCHULZE.
BILL GRADISON.
E. CLAY SHAW, Jr.
JIM BUNNING.

APPENDIX: STATUTORY LANGUAGE OF COMMITTEE AMENDMENT

SECTION 1. SHORT TITLE.

This Act may be cited as the "Emergency Unemployment Compensation Act of 1991".

TITLE I—EMERGENCY UNEMPLOYMENT COMPENSATION PROGRAM

SEC. 101. FEDERAL-STATE AGREEMENTS.

(a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this Act with the Secretary of Labor (hereafter in this Act referred to as the "Secretary"). Any State which is a party to an agreement under this Act may, upon providing 30 days written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of emergency unemployment compensation—

(1) to individuals who—

(A) have exhausted all rights to regular compensation under the State law,

(B) have no rights to compensation (including both regular compensation and extended compensation) with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law (and are not paid or entitled to be paid any additional compensation under any State or Federal law), and

(C) are not receiving compensation with respect to such week under the unemployment compensation law of Canada, and

(2) for any week of unemployment which begins in the individual's period of eligibility (as defined in section 106(a)(2)).

(c) EXHAUSTION OF BENEFITS.—For purposes of subsection (b)(1)(A), an individual shall be deemed to have exhausted such individual's rights to regular compensation under a State law when—

(1) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to such individual based on employment or wages during such individual's base period, or

(2) such individual's rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(d) WEEKLY BENEFIT AMOUNT.—For purposes of any agreement under this Act—

(1) the amount of emergency unemployment compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to such individual during such individual's benefit year under the State law for a week of total unemployment,

(2) the terms and conditions of the State law which apply to claims for extended compensation and to the payment thereof shall apply to claims for emergency unemployment compensation and the payment thereof, except where inconsistent with the provisions of this Act or with the regulations or operating instructions of the Secretary promulgated to carry out this Act, and

(3) the maximum amount of emergency unemployment compensation payable to any individual for whom an account is established under section 102 shall not exceed the amount established in such account for such individual.

(e) ELECTION.—Notwithstanding any other provision of Federal law (and if State law permits), the Governor of a State in a 20-week period or a 13-week period, as defined in section 102, is authorized to and may elect to trigger off an extended compensation period in order to provide payment of emergency unemployment compensation to individuals who have exhausted their rights to regular compensation under State law.

SEC. 102. EMERGENCY UNEMPLOYMENT COMPENSATION ACCOUNT.

(a) IN GENERAL.—Any agreement under this Act shall provide that the State will establish, for each eligible individual who files an application for emergency unemployment compensation, an emergency unemployment compensation account with respect to such individual's benefit year.

(b) AMOUNT IN ACCOUNT.—

(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to the lesser of—

(A) 100 percent of the total amount of regular compensation (including dependents' allowances) payable to the individual with respect to the benefit year (as determined under the State law) on the basis of which the individual most recently received regular compensation, or

(B) the applicable limit times the individual's average weekly benefit amount for the benefit year.

(2) APPLICABLE LIMIT.—For purposes of this section—

(A) IN GENERAL.—Except as otherwise provided in this paragraph—

(i) In the case of weeks beginning during a 20-week period, the applicable limit is 20.

(ii) In the case of weeks beginning during a 13-week period, the applicable limit is 13.

(iii) In the case of weeks not beginning in a 20-week period or 13-week period, the applicable limit is 6.

(B) APPLICABLE LIMIT NOT REDUCED.—An individual's applicable limit for any week shall in no event be less than

the highest applicable limit in effect for any prior week for which emergency unemployment compensation was payable to the individual from the account involved.

(C) INCREASE IN APPLICABLE LIMIT.—If the applicable limit in effect for any week is higher than the applicable limit for any prior week, the applicable limit shall be the higher applicable limit, reduced (but not below zero) by the number of prior weeks for which emergency unemployment compensation was paid to the individual from the account involved.

(3) REDUCTION FOR EXTENDED BENEFITS.—The amount in an account under paragraph (1) shall be reduced (but not below zero) by the aggregate amount of extended compensation (if any) received by such individual relating to the same benefit year under the Federal-State Extended Unemployment Compensation Act of 1970.

(4) WEEKLY BENEFIT AMOUNT.—For purposes of this subsection, an individual's weekly benefit amount for any week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

(c) 20-WEEK PERIOD.—For purposes of this section—

(1) IN GENERAL.—The term "20-week period" means, with respect to any State, the period which—

(A) begins with the third week after the first week for which the requirements of paragraph (2) are satisfied, and

(B) ends with the third week after the first week for which the requirements of paragraph (2) are not satisfied.

(2) REQUIREMENTS.—For purposes of paragraph (1), the requirements of this paragraph are satisfied for any week if—

(A) the adjusted rate of insured unemployment in the State for the period consisting of such week and the immediately preceding 12 weeks is at least 5 percent, or

(B) the average rate of total unemployment in such State for the period consisting of the most recent 6-calendar month period (for which data are published before the close of such week) is at least 9 percent.

(d) 13-WEEK PERIOD.—For purposes of this section—

(1) IN GENERAL.—The term "13-week period" means, with respect to any State, the period which—

(A) begins with the third week after the first week for which the requirements of paragraph (2) are satisfied, and

(B) ends with the third week after the first week for which the requirements of paragraph (2) are not satisfied.

(2) REQUIREMENTS.—For purposes of paragraph (1), the requirements of this paragraph are satisfied for any week—

(A) if the adjusted rate of insured unemployment in the State for the period consisting of such week and the immediately preceding 12 weeks is at least 4 percent, or

(B) if—

(i) the adjusted rate of insured unemployment in the State for the period consisting of such week and the immediately preceding 12 weeks is at least 2.5 percent, and

(ii) the exhaustion rate in the State for the most recent month for which data are available before the close of such week is at least 29 percent.

(e) SPECIAL RULES.—

(1) COORDINATION BETWEEN PERIODS.—A 13-week period shall not be in effect for any week if a 20-week period is in effect for such week.

(2) SPECIAL RULES FOR DETERMINING PERIODS.—

(A) MINIMUM PERIOD.—Except as provided in subparagraph (B), a 20-week period or 13-week period shall last for not less than 13 weeks.

(B) EXCEPTION.—If, but for subparagraph (A), a 20-week period would be in effect for a State, such period shall take effect without regard to subparagraph (A).

(3) NOTIFICATION BY SECRETARY.—When a determination has been made that a 20-week period or 13-week period is beginning or ending with respect to a State, the Secretary shall cause notice of such determination to be published in the Federal Register.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), no emergency unemployment compensation shall be payable to any individual under this Act for any week—

(A) beginning before the later of—

(i) November 17, 1991, or

(ii) the first week following the week in which an agreement under this Act is entered into, or

(B) beginning after July 4, 1992.

(2) TRANSITION.—In the case of an individual who is receiving emergency unemployment compensation for a week which includes July 4, 1992, such compensation shall continue to be payable to such individual in accordance with subsection (b) for any week beginning in a period of consecutive weeks for each of which the individual meets the eligibility requirements of this Act.

(3) REACHBACK PROVISIONS.—

(A) IN GENERAL.—If—

(i) any individual exhausted such individual's rights to regular compensation (or extended compensation) under the State law after February 28, 1991, and before the first week following November 16, 1991 (or, if later, the first week following the week in which the agreement under this Act is entered into), and

(ii)(I) the adjusted rate of insured unemployment (determined on the basis of the information referred to in subsection (g)(2)) in such State for the 13-week period ending on October 19, 1991, is at least 3 percent, or (II) a 20-week period or 13-week period is in effect in such State for the 1st week for which emergency unemployment compensation may be payable in such State under this title,

such individual shall be entitled to emergency unemployment compensation under this Act in the same manner as

if such individual's benefit year ended no earlier than the last day of such following week.

(B) LIMITATION OF BENEFITS.—In the case of an individual who has exhausted such individual's rights to both regular and extended compensation, any emergency unemployment compensation payable under subparagraph (A) shall be reduced in accordance with subsection (b)(3).

(g) TRANSITIONAL RULES.—

(1) IN GENERAL.—For purposes of determining whether a 20-week period or 13-week period is in effect with respect to any State for the 1st week for which emergency unemployment compensation may be payable under this title in such State, this Act shall be treated as having been in effect for all weeks ending on or after October 19, 1991.

(2) SPECIAL RULES.—A 20-week period or 13-week period shall begin in any State with the 1st week for which emergency unemployment compensation may be payable in such State under this title if, on the basis of information submitted to the Committee on Ways and Means of the House of Representatives by the Department of Labor on November 7, 1991, the requirements of subsection (c)(2) or (d)(2), as the case may be, are satisfied by such State for the week which ends on October 19, 1991. For purposes of the preceding sentence, the exhaustion rate shall be determined on the basis of (A) the monthly average number of individual exhausting their rights to regular compensation during the 8-month period ending with September of 1991, and (B) the monthly average number of individuals filing initial claims for regular compensation during the 8-month period ending with March of 1991.

SEC. 103. PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF EMERGENCY UNEMPLOYMENT COMPENSATION.

(a) GENERAL RULE.—There shall be paid to each State which has entered into an agreement under this Act an amount equal to 100 percent of the emergency unemployment compensation paid to individuals by the State pursuant to such agreement.

(b) TREATMENT OF REIMBURSABLE COMPENSATION.—No payment shall be made to any State under this section in respect of any compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this Act or chapter 85 of title 5, United States Code. A State shall not be entitled to any reimbursement under such chapter 85 in respect of any compensation to the extent the State is entitled to reimbursement under this Act in respect of such compensation.

(c) DETERMINATION OF AMOUNT.—Sums payable to any State by reason of such State having an agreement under this Act shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this Act for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates

may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

SEC. 104. FINANCING PROVISIONS.

(a) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905 of the Social Security Act) of the Unemployment Trust Fund shall be used for the making of payments to States having agreements entered into under this Act.

(b) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this Act. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the extended unemployment compensation account (as established by section 905 of the Social Security Act) to the account of such State in the Unemployment Trust Fund.

(c) ASSISTANCE TO STATES.—There are hereby authorized to be appropriated, without fiscal year limitation, such funds as may be necessary for purposes of assisting States (as provided in title III of the Social Security Act) in meeting the costs of administration of agreements under this Act.

(d) AUTHORIZATION OF APPROPRIATIONS FOR CERTAIN PAYMENTS.—There are authorized to be appropriated from the general fund of the Treasury, without fiscal year limitation, to the extended unemployment compensation account (as established by section 905 of the Social Security Act) such sums as may be necessary to make the payments under this section in respect of—

(1) compensation payable under chapter 85 of title 5, United States Code, and

(2) compensation payable on the basis of services to which section 3309(a)(1) of the Internal Revenue Code of 1986 applies.

Amounts appropriated pursuant to the preceding sentence shall not be required to be repaid.

SEC. 105. FRAUD AND OVERPAYMENTS.

(a) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of emergency unemployment compensation under this Act to which he was not entitled, such individual—

(1) shall be ineligible for further emergency unemployment compensation under this Act in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation, and

(2) shall be subject to prosecution under section 1001 of title 18, United States Code.

(b) REPAYMENT.—In the case of individuals who have received amounts of emergency unemployment compensation under this Act to which they were not entitled, the State shall require such indi-

viduals to repay the amounts of such emergency unemployment compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(1) the payment of such emergency unemployment compensation was without fault on the part of any such individual, and

(2) such repayment would be contrary to equity and good conscience.

(c) RECOVERY BY STATE AGENCY.—

(1) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any emergency unemployment compensation payable to such individual under this Act or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the emergency unemployment compensation to which they were not entitled, except that no single deduction may exceed 50 percent of the weekly benefit amount from which such deduction is made.

(2) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(d) REVIEW.—Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

SEC. 106. DEFINITIONS.

(a) IN GENERAL.—For purposes of this Act:

(1) IN GENERAL.—The terms "compensation", "regular compensation", "extended compensation", "additional compensation", "benefit year", "base period", "State", "State agency", "State law", and "week" have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970.

(2) PERIOD OF ELIGIBILITY.—An individual's period of eligibility consists of any week which begins on or after November 17, 1991, and which (except as provided in section 102(f)(2)) begins before July 4, 1992; except that an individual shall not have any period of eligibility unless his benefit year ends on or after November 16, 1991.

(3) ADJUSTED RATE OF INSURED UNEMPLOYMENT.—The adjusted rate of insured unemployment for any period shall be determined in the same manner as the rate of insured unemployment is determined under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970; except that individuals exhausting their rights to regular compensation during the most recent 3 calendar months for which data are

available before the close of the period for which such rate is being determined shall be taken into account as if they were individuals filing claims for regular compensation for each week during the period for which such rate is being determined.

(4) EXHAUSTION RATE.—The exhaustion rate for any month is the percentage obtained by dividing—

(A) the monthly average number of individuals exhausting their rights to regular compensation under the State law during the 12-month period ending with such month, by

(B) the monthly average number of individuals filing initial claims for regular compensation under the State law during the 12-month period ending with the 6th month of the 12-month period referred to in subparagraph (A).

(5) RATE OF TOTAL UNEMPLOYMENT.—The term "rate of total unemployment" means, with respect to any period, the average unadjusted total rate of unemployment (as determined by the Secretary) for a State for such period.

(b) ROUNDING.—For purposes of this Act, any rate determined under paragraph (3), (4), or (5) of subsection (a) shall be rounded to the nearest 1/10th of a percent.

TITLE II—DEMONSTRATION PROGRAM TO PROVIDE JOB SEARCH ASSISTANCE

SEC. 201. DEMONSTRATION PROGRAM TO PROVIDE JOB SEARCH ASSISTANCE.

(a) GENERAL RULE.—The Secretary of Labor (hereafter in this title referred to as the "Secretary") shall carry out a demonstration program under this title for purposes of determining the feasibility of implementing job search assistance programs. To carry out such demonstration program, the Secretary shall enter into agreements with 3 States which—

(1) apply to participate in such program, and

(2) demonstrate to the Secretary that they are capable of implementing the provisions of an agreement under this section.

(b) SELECTION OF STATES.—

(1) IN GENERAL.—In determining whether to enter into an agreement with a State under this section, the Secretary shall take into consideration at least—

(A) the size, geography, and occupational and industrial composition of the State,

(B) the adequacy of State resources to carry out a job search assistance program,

(C) the range and extent of specialized services to be provided by the State to individuals covered by the agreement, and

(D) the design of the evaluation to be applied by the State to the program.

(2) REPLICATION OF PRIOR DEMONSTRATION PROJECT.—At least 1 of the States selected by the Secretary under subsection (a) shall be a State which has operated a successful demonstration

project with respect to job search assistance under a contract with the Department of Labor. The demonstration program under this title of any such State shall, at a minimum, replicate the project it operated under such contract in the same geographic areas.

(c) PROVISIONS OF AGREEMENT.—Any agreement entered into with a State under this section shall—

(1) provide that the State will implement a job search assistance program during the 1-year period specified in such agreement,

(2) provide that such implementation will begin not later than the date 18 months after the date of the enactment of this Act,

(3) contain such provisions as may be necessary to ensure an accurate evaluation of the effectiveness of a job search assistance program, including—

(A) random selection of eligible individuals for participation in the program and for inclusion in a control group, and

(B) collection of data on participants and members of a control group as of the close of the 1-year period and 2-year period after the operations of the program cease,

(4) provide that not more than 5 percent of the claimants for unemployment compensation under the State law shall be selected as participants in the job search assistance program, and

(5) contain such other provisions as the Secretary may require.

SEC. 202. JOB SEARCH ASSISTANCE PROGRAM.

(a) GENERAL RULE.—For purposes of this title, a job search assistance program shall provide that—

(1) eligible individuals who are selected to participate in the program shall be required to participate in a qualified intensive job search program after receiving compensation under such State law during any benefit year for at least 6 but not more than 10 weeks,

(2) every individual required to participate in a job search program under paragraph (1) shall be entitled to receive an intensive job search program voucher, and

(3) any individual who is required under paragraph (1) to participate in a qualified intensive job search program and who does not satisfactorily participate in such program shall be disqualified from receiving compensation under such State law for the period (of not more than 10 weeks) specified in the agreement under section 201.

(b) ELIGIBLE INDIVIDUAL.—For purposes of this title—

(1) IN GENERAL.—The term "eligible individual" means any individual receiving compensation under the State law during any benefit year if, during the 3-year period ending on the last day of the base period for such benefit year, such individual had at least 126 weeks of employment at wages of $30 or more a week with such individual's last employer in such base period (or, if data with respect to weeks of employment with such last employer are not available, an equivalent amount of

employment computed under regulations prescribed by the Secretary).

(2) EXCEPTION.—Such term shall not include any individual if—

(A) such individual has a definite date for recall to his former employment,

(B) such individual seeks employment through a union hall or similar arrangement, or

(C) the State agency—

(i) waives the requirements of subsection (a)(1) for good cause shown by such individual, or

(ii) determines that such participation would not be appropriate for such individual.

(c) QUALIFIED INTENSIVE JOB SEARCH PROGRAM.—For purposes of this section, the term "qualified intensive job search program" means any intensive job search assistance program which—

(1) is approved by the State agency,

(2) is provided by an organization qualified to provide job search assistance programs under any other Federal law, and

(3) includes—

(A) all basic employment services, such as orientation, testing, a job-search workshop, and an individual assessment and counseling interview, and

(B) additional services, such as ongoing contact with the program staff, followup assistance, resource centers, and job search materials and equipment.

(d) INTENSIVE JOB SEARCH VOUCHER.—For purposes of this section, the term "intensive job search voucher" means any voucher which entitles the organization (including the State employment service) providing the qualified intensive job search assistance program to a payment from the State agency equal to the lesser of—

(1) the reasonable costs of providing such program, or

(2) the average weekly benefit amount in the State.

SEC. 203. ADMINISTRATIVE PROVISIONS.

(a) FINANCING PROVISIONS.—

(1) PAYMENTS TO STATES.—There shall be paid to each State which enters into an agreement under section 201 an amount equal to the lesser of the reasonable costs of operating the job search assistance program pursuant to such agreement or the State's average weekly benefit amount for each individual selected to participate in the job search assistance program operated by such State pursuant to such agreement. Funds in the extended unemployment compensation account (as established by section 905 of the Social Security Act) shall be used for purposes of making such payments.

(2) PAYMENTS ON CALENDAR MONTH BASIS.—There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this subsection for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been

paid to the State. Such estimates may be made on the basis of such method as may be agreed upon by the Secretary and the State agency.

(3) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this subsection. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account (as established by section 905 of the Social Security Act) to the account of such State in the Unemployment Trust Fund.

(4) SPECIAL RULE.—Notwithstanding any other provision of law, amounts in the account of a State in the Unemployment Trust Fund may be used for purposes of making payments pursuant to intensive job search vouchers provided pursuant to an agreement under this title.

(b) REPORTS TO CONGRESS.—

(1) INTERIM REPORTS.—The Secretary shall submit 2 interim reports to the Congress on the effectiveness of the demonstration program carried out under this title. The 1st such report shall be submitted before the date 2 years after operations under the demonstration program commenced and the 2d such report shall be submitted before the date 4 years after such commencement.

(2) FINAL REPORT.—Not later than the date 5 years after the commencement referred to in paragraph (1), the Secretary shall submit a final report to the Congress on the demonstration program carried out under this title. Such report shall include estimates of program impact, such as—

(A) changes in duration of unemployment, earnings, and hours worked of participants,

(B) changes in unemployment compensation outlays,

(C) changes in unemployment taxes,

(D) net effect on the Unemployment Trust Fund,

(E) net effect on Federal unified budget deficit, and

(F) net social benefits or costs of the program.

(c) DEFINITIONS.—For purposes of this title, the terms "compensation", "benefit year", "State", "State agency", "State law", "base period", and "week" have the respective meanings given such terms by section 106.

TITLE III—OTHER PROVISIONS

SEC. 301. PAYMENTS OF UNEMPLOYMENT COMPENSATION TO FORMER MEMBERS OF THE ARMED FORCES.

(a) REPEAL OF CERTAIN LIMITATIONS.—Subsection (c) of section 8521 of title 5, United States Code, is hereby repealed.

(b) REDUCTION IN LENGTH OF REQUIRED ACTIVE DUTY BY RESERVES.—Paragraph (1) of section 8521(a) of such title 5 is amended by striking "180 days" and inserting "90 days".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to weeks of unemployment beginning on or after the date of the enactment of this Act.

SEC. 302. OPTIONAL BENEFITS FOR CERTAIN SCHOOL EMPLOYEES.

(a) IN GENERAL.—

(1) Subclause (I) of section 3304(a)(6)(A)(ii) of the Internal Revenue Code of 1986 is amended by striking "shall be denied" and inserting "may be denied".

(2) Subparagraph (A) of section 3304(a)(6) of such Code is amended by striking "and" at the end of clauses (iii) and (iv) and by inserting after clause (v) the following new clause:

"(vi) with respect to services described in clause (ii), clauses (iii) and (iv) shall be applied by substituting 'may be denied' for 'shall be denied', and".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply in the case of compensation paid for weeks beginning on or after the date of the enactment of this Act.

SEC. 303. ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION.

Section 908 of the Social Security Act is amended to read as follows:

"ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION

"SEC. 908. (a) ESTABLISHMENT.—Not later than February 1, 1992, and every 4th year thereafter, the Secretary of Labor shall establish an advisory council to be known as the Advisory Council on Unemployment Compensation (referred to in this section as the 'Council').

"(b) FUNCTION.—It shall be the function of each Council to evaluate the unemployment compensation program, including the purpose, goals, countercyclical effectiveness, coverage, benefit adequacy, trust fund solvency, funding of State administrative costs, administrative efficiency, and any other aspects of the program and to make recommendations for improvement.

"(c) MEMBERS.—

"(1) IN GENERAL.—Each Council shall consist of 11 members as follows:

"(A) 5 members appointed by the President, to include representatives of business, labor, State government, and the public.

"(B) 3 members appointed by the President pro tempore of the Senate, in consultation with the Chairman and ranking member of the Committee on Finance of the Senate.

"(C) 3 members appointed by the Speaker of the House of Representatives, in consultation with the Chairman and ranking member of the Committee on Ways and Means of the House of Representatives.

"(2) QUALIFICATIONS.—In appointing members under subparagraphs (B) and (C) of paragraph (1), the President pro tempore of the Senate and the Speaker of the House of Representatives shall each appoint—

"(A) 1 representative of the interests of business,

"(B) 1 representative of the interests of labor, and

"(C) 1 representative of the interests of State governments.

"(3) VACANCIES.—A vacancy in any Council shall be filled in the manner in which the original appointment was made.

"(4) CHAIRMAN.—The President shall appoint the Chairman of the Council from among it members.

"(d) STAFF AND OTHER ASSISTANCE.—

"(1) IN GENERAL.—Each Council may engage any technical assistance (including actuarial services) required by the Council to carry out its functions under this section.

"(2) ASSISTANCE FROM SECRETARY OF LABOR.—The Secretary of Labor shall provide each Council with any staff, office facilities, and other assistance, and any data prepared by the Department of Labor, required by the Council to carry out its functions under this section.

"(e) COMPENSATION.—Each member of any Council—

"(1) shall be entitled to receive compensation at the rate of pay for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Council, and

"(2) while engaged in the performance of such duties away from such member's home or regular place of business, shall be allowed travel expenses (including per diem in lieu of subsistence) as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

"(f) REPORT.—

"(1) IN GENERAL.—Not later than February 1 of the 2d year following the year in which any Council is required to be established under subsection (a), the Council shall submit to the President and the Congress a report setting forth the findings and recommendations of the Council as a result of its evaluation of the unemployment compensation program under this section.

"(2) REPORT OF FIRST COUNCIL.—The Council shall include in its report required to be submitted by February 1, 1994, the Council's findings and recommendations with respect to determining eligibility for extended unemployment benefits on the basis of unemployment statistics for regions, States, or subdivisions of States."

SEC. 304. REPORT ON METHOD OF ALLOCATING ADMINISTRATIVE FUNDS AMONG STATES.

(a) IN GENERAL.—The Secretary of Labor shall submit to the Congress, within the 12-month period beginning on the date of the enactment of this Act, a comprehensive report setting forth a proposal for revising the method of allocating grants among the States under section 302 of the Social Security Act.

(b) SPECIFIC REQUIREMENTS.—The report required by subsection (a) shall include an analysis of—

(1) the use of unemployment insurance workload levels as the primary factor in allocating grants among the States under section 302 of the Social Security Act,

(2) ways to ensure that each State receive not less than a minimum grant amount for each fiscal year,

(3) the use of nationally available objective data to determine the unemployment compensation administrative costs of each State, with consideration of legitimate cost differences among the States,

(4) ways to simplify the method of allocating such grants among the States,

(5) ways to eliminate the disincentives to productivity and efficiency which exist in the current method of allocating such grants among the States,

(6) ways to promote innovation and cost-effective practices in the method of allocating such grants among the States, and

(7) the effect of the proposal set forth in such report on the grant amounts allocated to each State.

(c) CONGRESSIONAL REVIEW PERIOD.—The Secretary of Labor may not revise the method in effect on the date of the enactment of this Act for allocating grants among the States under section 302 of the Social Security Act, until after the expiration of the 12-month period beginning on the date on which the report required by subsection (a) is submitted to the Congress.

TITLE IV—FINANCING PROVISIONS

SEC. 401. PERMANENT EXTENSION OF PROVISIONS RELATING TO COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES.

(a) IN GENERAL.—Subsection (c) of section 2653 of the Deficit Reduction Act of 1984 is amended by striking ", and on or before January 10, 1994".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on October 1, 1991.

SEC. 402. EXTENSION OF FUTA SURTAX.

Section 3301 of the Internal Revenue Code of 1986 (relating to rate of unemployment tax) is amended—

(1) by striking "1995" in paragraph (1) and inserting "1996", and

(2) by striking "1996" in paragraph (2) and inserting "1997".

SEC. 403. MODIFICATION TO INDIVIDUAL ESTIMATED TAX REQUIREMENTS.

(a) GENERAL RULE.—Paragraph (1) of section 6654(d) of the Internal Revenue Code of 1986 (relating to amount of required installments) is amended by adding at the end thereof the following new subparagraphs:

"(C) LIMITATION ON USE OF PRECEDING YEAR'S TAX.—

"(i) IN GENERAL.—In any case to which this subparagraph applies, clause (ii) of subparagraph (B) shall be applied as if it read as follows:

" '(ii) the greater of—

" '(I) 100 percent of the tax shown on the return of the individual for the preceding taxable year, or

" '(II) 90 percent of the tax shown on the return for the current year, determined by taking into account the adjustments set forth in subparagraph (D).'

"(ii) CASES TO WHICH SUBPARAGRAPH APPLIES.—This subparagraph shall apply if—

"(I) the modified adjusted gross income for the current year exceeds the amount of the adjusted gross income shown on the return of the individual for the preceding taxable year by more than $40,000 ($20,000 in the case of a separate return for the current year by a married individual),

"(II) the adjusted gross income shown on the return for the current year exceeds $75,000 ($37,500 in the case of a married individual filing a separate return), and

"(III) the taxpayer has made a payment of estimated tax (determined without regard to subsection (g) and section 6402(b)) with respect to any of the preceding 3 taxable years (or a penalty has been previously assessed under this section for a failure to pay estimated tax with respect to any of such 3 preceding taxable years).

This subparagraph shall not apply to any taxable year beginning after December 31, 1996.

"(iii) MAY USE PRECEDING YEAR'S TAX FOR FIRST INSTALLMENT.—This subparagraph shall not apply for purposes of determining the amount of the 1st required installment for any taxable year. Any reduction in an installment by reason of the preceding sentence shall be recaptured by increasing the amount of the 1st succeeding required installment (with respect to which the requirements of clause (iv) are not met) by the amount of such reduction.

"(iv) ANNUALIZATION EXCEPTION.—This subparagraph shall not apply to any required installment if the individual establishes that the requirements of subclauses (I) and (II) of clause (ii) would not have been satisfied if such subclauses were applied on the basis of—

"(I) the annualized amount of the modified adjusted gross income for months in the current year ending before the due date for the installment determined by assuming that all items referred to in clause (i) of subparagraph (D) accrued ratably during the current year, and

"(II) the annualized amount of the adjusted gross income for months in the current year ending before the due date for the installment.

Any reduction in an installment under the preceding sentence shall be recaptured by increasing the amount of the 1st succeeding required installment (with respect to which the requirements of the preceding sentence are not met) by the amount of such reduction.

"(D) MODIFIED ADJUSTED GROSS INCOME FOR CURRENT YEAR.—For purposes of this paragraph, the term 'modified adjusted gross income' means the amount of the adjusted gross income shown on the return for the current year determined with the following modifications:

"(i) The qualified pass-thru items shown on the return for the preceding taxable year shall be treated as also shown on the return for the current year (and the actual qualified pass-thru items (if any) for the current year shall be disregarded).

"(ii) The amount of any gain from any involuntary conversion (within the meaning of section 1033) which is shown on the return for the current year shall be disregarded.

"(iii) The amount of any gain from the sale or exchange of a principal residence (within the meaning of section 1034) which is shown on the return for the current year shall be disregarded.

"(E) QUALIFIED PASS-THRU ITEM.—For purposes of this paragraph—

"(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the term 'qualified pass-thru item' means any item of income, gain, loss, deduction, or credit attributable to an interest in a partnership or S corporation. Such term shall not include any gain or loss from the disposition of an interest in an entity referred to in the preceding sentence.

"(ii) 10-PERCENT OWNERS AND GENERAL PARTNERS EXCLUDED.—The term 'qualified pass-thru item' shall not include, with respect to any year, any item attributable to—

"(I) an interest in an S corporation, if at any time during such year the individual was a 10-percent owner in such corporation, or

"(II) an interest in a partnership, if at any time during such year the individual was a 10-percent owner or general partner in such partnership.

"(iii) 10-PERCENT OWNER.—The term '10-percent owner' means—

"(I) in the case of an S corporation, an individual who owns 10 percent or more (by vote or value) of the stock in such corporation, and

"(II) in the case of a partnership, an individual who owns 10 percent or more of the capital interest (or the profits interest) in such partnership.

"(F) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) CURRENT YEAR.—The term 'current year' means the taxable year for which the amount of the installment is being determined.

"(ii) SPECIAL RULE.—If no return is filed for the current year, a reference in subparagraph (C) or (D) to an item shown on the return for the current year

shall be treated as a reference to the actual amount of such item for such year.

"(iii) MARITAL STATUS.—Marital status shall be determined under section 7703."

(b) TECHNICAL AMENDMENTS.—

(1) Subparagraph (C) of section 6654(i)(1) of such Code is amended to read as follows:

"(C) the amount of such installment shall be equal to the required annual payment determined under subsection (d)(1)(B) by substituting '66⅔ percent' for '90 percent' and without regard to subparagraph (C) of subsection (d)(1), and".

(2) Subparagraph (A) of section 6654(j)(3) of such Code is amended by inserting before the period at the end thereof the following: "and subsection (d)(1)(C)(iii) shall not apply".

(3) Paragraph (4) of section 6654(l) of such Code is amended by striking "subsection (d)(2)(B)(i)" and inserting "paragraphs (1)(C)(iv) and (2)(B)(i) of subsection (d)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1991.

TITLE V—RAILROAD UNEMPLOYMENT INSURANCE

SEC. 501. EXTENDED RAILROAD UNEMPLOYMENT INSURANCE BENEFITS DURING PERIODS OF HIGH NATIONAL UNEMPLOYMENT.

(a) IN GENERAL.—For purposes of section 2(h) of the Railroad Unemployment Insurance Act (45 U.S.C. 352(h)(2)), a "period of high unemployment" includes any month during the period November, 1991 through July, 1992.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), no employee shall have an extended benefit period under the second proviso of section 2(c) of the Railroad Unemployment Insurance Act beginning before November 17, 1991, or after July 4, 1992.

(2) TRANSITION.—If an employee has established an extended benefit period under the second proviso of section 2(c) of the Railroad Unemployment Insurance Act and the last day of such extended benefit period, as established, is after July 4, 1992, such employee shall continue to be entitled to extended unemployment benefits for days of unemployment in registration periods included in such extended benefit period, provided that such employee meets the eligibility requirements of this section and the Railroad Unemployment Insurance Act.

(3) REACHBACK PROVISIONS.—If an employee has exhausted that employee's rights to normal unemployment benefits under section 2(c) of the Railroad Unemployment Insurance Act after February 28, 1991, but before November 17, 1991, such employee shall, for the purposes of the application of this section, be deemed to have exhausted such rights after November 17, 1991.

(c) LIMITATION ON PAYMENT.—Extended benefits under this section shall be payable for a maximum of 65 days of unemployment, including any extended benefits payable by reason of the application of the reachback provisions.

TITLE VI—GUARANTEED STUDENT LOANS

SEC. 601. CREDIT CHECKS; COSIGNERS.

(a) FISL PROGRAM.—Section 427(a)(2)(A) of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), hereafter in this title referred as "the Act", is amended to read as follows:

"(A) is made without security and without endorsement, except that prior to making a loan insurable by the Secretary under this part a lender shall—

"(i) obtain a credit report, from at least one national credit bureau organization, with respect to a loan applicant who will be at least 21 years of age as of July 1 of the award year for which assistance is being sought, for which the lender may charge the applicant an amount not to exceed the lesser of $25 or the actual cost of obtaining the credit report; and

"(ii) require an applicant of the age specified in clause (i) who, in the judgment of the lender in accordance with the regulations of the Secretary, has an adverse credit history, to obtain a credit worthy cosigner in order to obtain the loan, provided that, for purposes of this clause, an insufficient or nonexistent credit history may not be considered to be an adverse credit history;".

(b) GSL PROGRAM.—Section 428(b)(1) of the Act is amended—

(1) in subparagraph (U), by striking "and" at the end thereof;

(2) in subparagraph (V), by striking the period at the end thereof and inserting a semicolon and "and"; and

(3) by adding at the end thereof the following new subparagraph:

"(W) provides that prior to making a loan made, insured, or guaranteed under this part (other than a loan made in accordance with section 428C), a lender shall—

"(i) obtain a credit report, from at least one national credit bureau organization, with respect to a loan applicant who will be at least 21 years of age as of July 1 of the award year for which assistance is being sought, for which the lender may charge the applicant an amount not to exceed the lesser of $25 or the actual cost of obtaining the credit report; and

"(ii) require an applicant of the age specified in clause (i) who, in the judgment of the lender in accordance with the regulations of the Secretary, has an adverse credit history, to obtain a credit worthy cosigner in order to obtain the loan, provided that, for purposes of this clause, an insufficient or nonexistent credit history may not be considered to be an adverse credit history.".

SEC. 602. BORROWER INFORMATION.

(a) FISL PROGRAM.—Section 427 of the Act is amended by adding at the end thereof the following new subsection:

"(d) BORROWER INFORMATION.—The lender shall obtain the borrower's driver's license number, if any, at the time of application for the loan.".

(b) GSL PROGRAM.—Section 428 of the Act is amended—

(1) in subsection (a)(2)(A)—

(A) in clause (i)(I), by striking out "and" at the end thereof;

(B) in clause (ii), by striking out the period at the end thereof and inserting in lieu thereof a semicolon and "and"; and

(C) by adding at the end thereof the following new clause:

"(iii) have provided to the lender at the time of application for a loan made, insured, or guaranteed under this part, the student's driver's number, if any.".

SEC. 603. ADDITIONAL BORROWER INFORMATION.

Section 485(b) of the Act is amended—

"(1) by striking the subsection heading and inserting "EXIT COUNSELING FOR BORROWERS; BORROWER INFORMATION.—"; and

(2) by adding at the end thereof the following: "Each eligible institution shall require that the borrower of a loan made under part B, part D, or part E submit to the institution, during the exit interview required by this subsection, the borrower's expected permanent address after leaving the institution, regardless of the reason for leaving; the name and address of the borrower's expected employer after leaving the institution; and the address of the borrower's next of kin. In the case of a loan made under part B, the institution shall then submit this information to the holder of the loan.".

SEC. 604. CONFESSION OF JUDGMENT.

Section 428(b)(1) of the Act is further amended—

(1) in subparagraph (V), by striking "and" at the end thereof;

(2) in subparagraph (W), by striking the period at the end thereof and inserting a semicolon and "and"; and

(3) by adding at the end thereof the following new subparagraph:

"(X) provides that the lender shall obtain, as part of the note or written agreement evidencing the loan, the borrower's authorization for entry of judgment against the borrower in the event of default.".

SEC. 605. WAGE GARNISHMENT.

(a) AMENDMENT.—Part G of title IV of the Act is amended by inserting immediately following section 488 the following new section:

"WAGE GARNISHMENT REQUIREMENT

"SEC. 488A. (a) GARNISHMENT REQUIREMENTS.—Notwithstanding any provision of State law, a guaranty agency, or the Secretary in

the case of loans made, insured or guaranteed under this title that are held by the Secretary, may garnish the disposable pay of an individual to collect the amount owed by the individual, if he or she is not currently making required repayment under a repayment agreement with the Secretary, or, in the case of a loan guaranteed under part B on which the guaranty agency received reimbursement from the Secretary under section 428(c), with the guaranty agency holding the loan, as appropriate, provided that—

"(1) the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a greater percentage may be deducted with the written consent of the individual involved;

"(2) the individual shall be provided written notice, sent by mail to the individual's last known address, a minimum of 30 days prior to the initiation of proceedings, from the guaranty agency or the Secretary, as appropriate, informing such individual of the nature and amount of the loan obligation to be collected, the intention of the guaranty agency or the Secretary, as appropriate, to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under this section;

"(3) the individual shall be provided an opportunity to inspect and copy records relating to the debt;

"(4) the individual shall be provided an opportunity to enter into a written agreement with the guaranty agency or the Secretary, under terms agreeable to the Secretary, or the head of the guaranty agency or his designee, as appropriate, to establish a schedule for the repayment of the debt;

"(5) the individual shall be provided an opportunity for a hearing in accordance with subsection (b) on the determination of the Secretary or the guaranty agency, as appropriate, concerning the existence or the amount of the debt, and, in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to paragraph (4), concerning the terms of the repayment schedule;

"(6) the employer shall pay to the Secretary or the guaranty agency as directed in the withholding order issued in this action, and shall be liable for, and the Secretary or the guaranty agency, as appropriate, may sue the employer in a State or Federal court of competent jurisdiction to recover, any amount that such employer fails to withhold from wages due an employee following receipt of such employer of notice of the withholding order, plus attorneys' fees, costs, and, in the court's discretion, punitive damages, but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this paragraph;

"(7) if an individual has been reemployed within 12 months after having been involuntarily separated from employment, no amount may be deducted from the disposable pay of such individual until such individual has been reemployed continuously for at least 12 months; and

"(8) an employer may not discharge from employment, refuse to employ, or take disciplinary action against an individual subject to wage withholding in accordance with this section

by reason of the fact that the individual's wages have been subject to garnishment under this section, and such individual may sue in a State or Federal court of competent jurisdiction any employer who takes such action. The court shall award attorneys' fees to a prevailing employee and, in its discretion, may order reinstatement of the individual, award punitive damages and back pay to the employee, or order such other remedy as may be reasonably necessary.

"(b) HEARING REQUIREMENTS.—A hearing described in subsection (a)(5) shall be provided prior to issuance of a garnishment order if the individual, on or before the 15th day following the mailing of the notice described in subsection (a)(2), and in accordance with such procedures as the Secretary or the head of the guaranty agency, as appropriate, may prescribe, files a petition requesting such a hearing. If the individual does not file a petition requesting a hearing prior to such date, the Secretary or the guaranty agency, as appropriate, shall provide the individual a hearing under subsection (a)(5) upon request, but such hearing need not be provided prior to issuance of a garnishment order. A hearing under subsection (a)(5) may not be conducted by an individual under the supervision or control of the head of the guaranty agency, except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.

"(c) NOTICE REQUIREMENTS.—The notice to the employer of the withholding order shall contain only such information as may be necessary for the employer to comply with the withholding order.

"(d) DEFINITION.—For the purpose of this section, the term 'disposable pay' means that part of the compensation of any individual from an employer remaining after the deduction of any amounts required by law to be withheld.".

(b) ABOLITION OF ADDITIONAL COST PAYMENTS.—

(1) Section 428E of the Act is repealed.

(2) Section 428(c)(6) of the Act is amended by striking subparagraph (D).

SEC. 606. DATA MATCHING.

Part G of title IV of the Act is further amended by inserting immediately following section 489 the following new section:

"DATA MATCHING

"SEC. 489A. (a)(1) The Secretary is authorized to obtain information from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States concerning the most recent address of an individual obligated on a loan held by the Secretary or a loan made in accordance with part B of this title held by a guaranty agency, or an individual owing a refund of an overpayment of a grant awarded under this title, and the name and address of such individual's employer, if the Secretary determines that such information is needed to enforce the loan or collect the overpayment.

"(2) The Secretary is authorized to provide the information described in paragraph (1) to a guaranty agency holding a loan made under part B of this title on which such individual is obligated.

"(b)(1) Notwithstanding any other provision of law, whenever the head of any department, agency, or instrumentality of the United States receives a request from the Secretary for information authorized under this section, such individual or his designee shall promptly cause a search to be made of the records of the agency to determine whether the information requested is contained in those records.

"(2)(A) If such information is found, the individual shall, in conformance with the provisions of the Privacy Act of 1974, as amended, immediately transmit such information to the Secretary, except that if disclosure of this information would contravene national policy or security interests of the United States, or the confidentiality of census data, the individual shall immediately so notify the Secretary and shall not transmit the information.

"(B) If no such information is found, the individual shall immediately so notify the Secretary.

"(3)(A) The reasonable costs incurred by any such agency of the United States in providing any such information to the Secretary shall be reimbursed by the Secretary, and retained by the agency.

"(B) Whenever such information is furnished to a guaranty agency, that agency shall be charged a fee to be used to reimburse the Secretary for the expense of providing such information.".

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